The NATIONAL UNDERWRITER

REINSURANCE EDITION

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The NATIONAL UNDERWRITER

DECEMBER 27, 1945
49th Year. No. 51

Agency Limitation Rule Relief Up in Chicago

Important Issue Is Precipitated by Contraction of Groups

Class 1 members of the Chicago Board are now voting by mail ballot on the proposition to give relief in connection with the four agency limitation rule to North America and to such other companies as may take similar action in the way of consolidating companies within a group.

At a meeting of the board last week there was a vote of 55 to nothing in favor of the resolution that was submitted but an affirmative vote is needed from 96 or 60% of the membership. Hence the mail ballot.

The amendment provides that North America, which is extinguishing National Security and Central of Baltimore, shall be entitled to retain all the agents that its group now has in Chicago until Sept. 1, 1946 and that unless other legislation is enacted prior to that date, it shall reduce the number of its representatives in the city by that time to 12—four each for North America, Philadelphia F. & M. and Alliance of Pennsylvania.

The amendment provides that any other group that may take similar steps to that of North America to contract the number of units in its group shall have eight months in which to adjust its agency representation according to the four agency rule.

Amendment Was Changed

The amendment originally proposed by the board provided for giving relief for six months, with the situation to be reviewed and if desirable another six months extension could be given. As a matter of fact, the matter was to be left open with provision for a review of the situation semi-annually.

Objection was taken to that arrangement by the Chicago Insurance Agents Association which felt that this would be tantamount to granting permanent exemption from the agency limitation regulation. That organization insisted that a definite deadline be set and its will prevailed.

The Chicago Board has retained the law firm of Winston, Strawn & Shaw to engage in legal research and give an opinion as to the validity of that rule in the light of the S.E.U.A. decision and Public Law 15.

Prior to the meeting last week, a number of informal sessions had been held and all of the agency members of the board had expressed themselves as favoring perpetuation of the agency limitation rule. All of them likewise favored granting relief to North America and other groups similarly situated.

John Naghten Chairman

John A. Naghten, president of the board, was also chairman of the committee that has been handling this question.

There is quite an element in the board that believes that the four agency rule can be sustained and is not automatically invalidated because insurance has been made subject to the federal anti-trust laws. They take the position that the agency limitation rule, rather than constituting a restraint of trade, is actually a means of providing competitive opportunity, that if it were not for such a limitation, the giant companies would have such leverage that the smaller institutions would be left with the crumbs. They say that the smaller life insurance and casualty companies are not able to develop strong agency representation in the city and they point out that there is no agency limitation rule in those fields.

V. L. Montgomery, manager of North America, urged passage of an amendment granting an indefinite period of time during which the North America group might retain the same number of agents for three companies that it has been maintaining for five. He referred to the uncertainties concerning such restrictive type of legislation on the part of voluntary associations and contended that until there is a clear cut decision as to the validity of such rules, no company should be required to make a sacrifice that might later turn out to have been unnecessary.

The annual meeting of the board is being held Jan. 24. The nominating committee consists of George Bowman, R. A. Napier & Co.; Herman Engelhard, Engelhard-Krogman & Co.; E. R. Hurd, Home; George Kralovec and Harry J. Chidley, Chidley & Reynolds.

Indiana Premium Tax Held Valid

States Have Clean Sweep So Far in State Tribunals

INDIANAPOLIS—The Indiana supreme court upheld the 3% state premium tax on insurers incorporated in other states, reversing a decision of the Marion county superior court here. The action had been brought by Prudential, which claimed that the tax, which does not apply to domestic companies, was a burden on interstate commerce and unconstitutional under the Southeastern Underwriters Association decision.

The reasoning of the Indiana supreme court followed closely that of other state courts in which similar actions have been brought. It took the position that the McCarran law specifically affirms the right of states to tax insurance companies and consequently that higher taxes on foreign insurers are included in this authorization.

Companies Losing Uniformly

The Indiana decision means that so far insurance companies have a 100% loss ratio in suits in state courts seeking to invalidate higher taxes on foreign companies. The Kansas and South Carolina supreme courts have upheld similar taxes and the Michigan law was recently upheld by the Ingham county circuit court.

All Officers Reelected by General Brokers Assn.

All officers of the General Brokers Association of New York were reelected at the December meeting. S. Nicoll Schwartz is president; Andrew H. Boardman, 1st vice-president; Samuel Oberman, 2nd vice-president; Louis Escher, 3rd vice-president; Leonard Jacobs, secretary; Abraham Prusoff, treasurer; Nathan Greenbaum, Leonard Jacobs, Frederick I. Ettlinger, Robert M. Ferguson, Jr., Jack A. Fink, John Frederick Nubel, Paul Simon, George F. Sullivan, Joseph Wank, executive committee.

New U. & O. Form in New England

Gross Earnings Form for Manufacturers Expected to Spread

BOSTON—The New England Fire Insurance Rating Organization has adopted the gross earnings use and occupancy form for manufacturing risks, as of Dec. 14. The form and rules are substantially the same as on the Pacific Coast, described in THE NATIONAL UNDERWRITER of Nov. 8.

The rate schedule for the new form is the same as on the Pacific Coast. With 50% coinsurance, the charge for the gross earnings form for manufacturing risks is the full 80% coinsurance building rate. With 60% coinsurance, it is 90% of this rate, with 70% coinsurance, 82% of it and with 80% coinsurance, 75% of the 80% building rate. For the old gross earnings form for mercantile and non-manufacturing risks, the rates, with the same coinsurance requirements, are 80%, 70%, 65% and 60% of the 80% building rate.

Expect General Adoption

The gross earnings form for manufacturing risks has been approved by the Eastern Underwriters Association and recommended to the various state and regional rating organizations for adoption. The action in New England indicates that the other eastern states will probably follow suit soon and it is quite likely that the form will be adopted in the southeast and also in states such as Virginia, Louisiana and Mississippi, which are not under any of the major jurisdictional bodies, but generally follow E.U.A. or S.E.U.A. practices. The middle west has been out of step with the rest of the country on use and occupancy since 1937 and it is not known what the chances are for adoption there.

A number of other changes were also made in New England rules. The minimum premium for automobile filling stations under the special blanket form at a rate of 35 cents has been changed from $100 to an annual minimum of $50, including extended coverage.

Falk, Black New Ass't. U. S. Managers of Royal-L. & L. & G.

NEW YORK—Walter L. Falk, head of the brokerage and of the general cover and special service departments of Royal-Liverpool, and C. E. Black, general adjuster, have been advanced to assistant U. S. managers.

Mr. Falk in 1913 joined L. & L. & G. at New Orleans. When that office was closed he was transferred to the home office, where he has held numerous responsible positions. In 1930 he was placed in charge of the brokerage department and since 1939 has also managed the general cover and special service departments.

Black Formerly Underwriter

Mr. Black also obtained his early experience with L. &. L. & G. at New Orleans having been employed in 1930. For some years his duties were in the underwriting department. From assistant map clerk he progressed to examiner and later became special agent in Louisiana. In 1932 after having been transferred to New York he was placed in charge of the loss department and six years later was given the title of general adjuster, handling all the losses.

Form Pact on Overlapping Cover Adjustments

National Board and I.M.U.A. Agreement Product of 5 Years' Study

NEW YORK—Under a new agreement to become effective Jan. 1 between the leading fire and marine insurers, specific provisions are made for prompt payment to policyholders of a wide variety of insured losses without waiting to determine which policy or insurer may be finally liable for the whole or major portion of the loss sustained.

The National Board, Inland Marine Underwriters Association, came to these terms after more than five years of study and development. It is anticipated that the leading mutual insurers will also accept the principles.

Avoiding Uncertainties

The agreement seeks to avoid future uncertainties as to proper settlements in the case of any normal risks, such as those to family possessions temporarily away from the home premises. Such items as laundry sent out, clothing at the dry cleaners, furniture or rugs away being renovated, or radios at the repair shop have been the subjects of disputes from time to time arising in the adjustment and apportionment of losses because of overlapping coverage under two or more policies held by the customer and the service shop. Such disputes have not infrequently required litigation or arbitration to determine the rights and equities of the competitive insurance companies.

In addition to the provisions for prompt payment of such insured losses, nine carefully drawn principles clarify the order of precedence in contributions on the part of various fire and inland marine contracts. The over-all effect of these principles is not only to allocate responsibility between the several insurance companies which may be involved in a given loss, but also to assure the group of policyholders, who may have suffered losses, that they will receive the fullest and fairest settlement possible from all forms of insurance protection that can possibly apply. The terms of the agreement endeavor not only to visualize all conflicts which may arise, but also to make provision for treating with others that may not have been foreseen.

The effect of the new provisions, for example, would be noted should some congested dry cleaning establishment have a serious explosion and subsequent fire early next year which might destroy many hundreds of customers' suits. Assume that the dry cleaner was found to have only about half the insurance protection needed to cover his customers' garments, perhaps because business had poured in much faster than he could normally service it. Those of his customers who had individual insurance that either protected their personal possessions (in all locations) or their household effects (at home, with 10% of the protection applying off-premises, such as at the cleaners) would be paid promptly by their respective insurance companies, regardless of any questions of negligence or other legal liability on the part of the cleaning establishment.

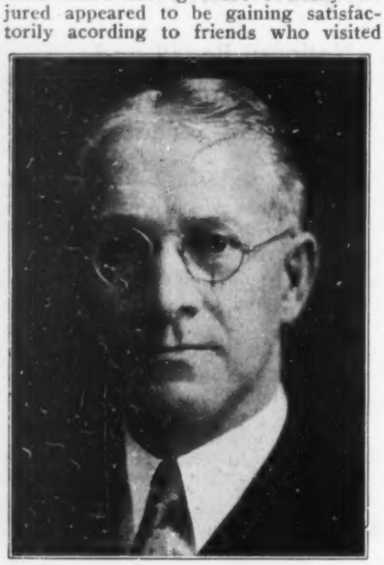
This agreement supersedes and, of

(CONTINUED ON PAGE 10)

Langlers Injured in Hartford Fire

William Langler, executive vice-president of Northeastern, and Mrs. Langler were gravely injured Christmas eve when they were trapped by fire in the third floor of a convalescent home in Hartford. They were visiting two old friends, Mr. and Mrs. Theodore Piper, who were among the 17 to lose their lives as a result of the disaster.

Mr. Langler was seriously burned and while listed among those critically injured appeared to be gaining satisfactorily according to friends who visited



W. J. LANGLER

him Christmas day. Mrs. Langler was more seriously injured, suffering not only severe burns but a broken leg, both arms broke, and a head injury. At first is was feared her skull was fractured but this proved not to be the case.

Mr and Mrs. Langler are in St. Francis hospital, Hartford.

The home, occupants of which were aged or chronically ill persons, is not far from the Hartford circus fire of July 6, 1944, in which 168 persons died.

The fire was started by a short circuit in a Christmas tree which ignited cotton decorations and spread after unsuccessful efforts by an employe to put it out with a small extinguisher. The fire cut the employe off from access to the telephone, adding to the delay in putting in the alarm.

L. H. Trout Nominated to Head St. Louis Board

ST. LOUIS—Louis H. Trout, vice-president of General Insurors, has been nominated for president of the Insurance Board of St. Louis, to succeed Orron D. Evans, Standard Underwriters, who has held the post for two years. The election will be held Jan. 15.

Other nominations are: For vice-president, Oden D. Prowell, Geo. D. Capen & Co.; secretary, John Wightman, Jr.; treasurer, Paul J. Schroeder of Egger, Carroll & Schroeder; executive committee: Mr. Evans, John J. Henschke, Insurance Agency Co.; Lyman F. Barrows, Daniels & Henry Co.; L. E. Bright, Lawton-Byrne-Bruner; Frank J. Bush, broker; D. F. Sheehan, Dolan Real Estate Co.; W. Ayton Cox, broker; William H. Finke, and Charles H. Merrill, W. H. Markham & Co.

Lieut. Vernon B. Steenrod, former Kansas state agent of North America at Topeka, has received his discharge from the navy and spent the Christmas holiday with his wife and son in Wichita, where he attended the annual Christmas party of the Wichita Association of Insurance Agents. He has been in charge of fire and safety at the San Francisco naval base.

Two Young Men Return to News Department of National Underwriter

Two young men who were formerly connected with the news department of THE NATIONAL UNDERWRITER at Chicago are rejoining the staff after their release from war service. They are Richard J. Thain, Jr., of Evanston, Ill., and John C. Burridge.

Mr. Thain attended Northwestern University and joined THE NATIONAL UNDERWRITER as a reporter, serving a year and a half. He then became a reporter for the Chicago "Sun" but was inducted into the army air service after six months with that publication. He served at Scott Field in Illinois, Hunter Field in Georgia, Miami Beach Field and more recently has been at Chico Air Field, Cal. In all these places he edited the weekly air force papers so that his business life has been continuously in newspaper work.

His father is Richard J. Thain, Sr., who is head of the advertising and sales promotion department of Butler Brothers, Chicago. He was formerly on the staff of the Chicago "Daily News."

John Burridge was attending the University of Chicago when he went into service. He joined the infantry and when released was a sergeant. He served in North Africa and later in Italy. His father is Howard J. Burridge of Cincinnati, president of The National Underwriter Company. John worked in the news department during some of his vacations.

John Burridge will be married Jan. 18 to Miss Barbara Mann of Hinsdale, Ill., daughter of Mr. and Mrs. Herman F. Mann.

New Baltimore-Washington 'Phone Book Now Available

The NATIONAL UNDERWRITER COMPANY is distributing its annual Baltimore-Washington Insurance Telephone Directory listing the telephone numbers of agencies, companies, adjusters and other offices having close ties with insurance, fire, life and casualty in those two cities. This is one of such directories published by THE NATIONAL UNDERWRITER for Boston, Chicago, Dallas-Houston, Detroit, Philadelphia and Pittsburgh.

Extra copies of the directory may be obtained either from the Cincinnati office, 420 East Fourth street, or the Philadelphia office, 123 South Broad street, at $1 per copy.

American Mutual Alliance Brings Out New Directory

American Mutual Alliance has brought out the 1945 edition of its "Directory of Mutual Companies in the United States." This is based on the business of 1944.

Under state headings are listed the mutual companies, giving address, name of the secretary, date when it commenced writing business, net premiums for the year, net losses paid, and net insurance in force.

The compendium lists 2,630 fire and casualty mutual companies.

The 1944 net premiums of the 193 mutual casualty companies were $356,270,492, losses paid $148,178,622, assets $652,376,719, surplus $185,353,961.

The editors state that there are 3,357 active U. S. fire and casualty insurance organizations. These include 298 stock fire, 183 stock casualty, 163 stock A. & H.; 2,372 mutual fire, 193 mutual casualty, 65 mutual A. & H.; 62 reciprocals and 21 Lloyds. Additionally, there are operating in the states one Hawaiian stock fire company, 54 stock fire companies of foreign lands and 12 foreign stock casualty companies.

The state with the largest number of mutual casualty companies is New York with 23. Then comes Illinois, 20; Iowa, 19; Ohio and Missouri, each 14; Pennsylvania and Michigan, each 13.

There are listings of the various company and agency organizations in the mutual fire and casualty field giving the names of officers and other information.

Hayfield Advanced by Travelers

J. A. Hayfield has been appointed superintendent of agencies in the southern department of the Travelers Fire. He went with Travelers in 1931, and has been asosciated with the marine department.

During recent years he has served as senior underwriter and has traveled extensively in the 13 southern states, over which he will have jurisdistion in his new position. He fills the position left vacant during the war years by the promotion of M. T. Wilson to secretary of the southern department.

Prior to joining Travelers Mr. Hyfield was manager of the fire, marine and automobile department of Stone, Stafford & Stone agency of Indianapolis. A native of Toronto, Ont., he was in the insurance business there for four years prior to the first war.

G. J. Wegmann Is President of Lafayette Fire

George J. Wegmann was elected president of Lafayette Fire, New Orleans, at a meeting of directors, succeeding his father, the late John X. Wegmann. The son, a graduate of Loyola University, began his insurance career with Lafayette in 1920. Three years later he was elected secretary and in 1944 was made vice-president and secretary. His experience of 26 years with the company well equips him for the presidency.

Fred A. Gamble, a director for many years, was elected vice-president, succeeding the late Henry Pfeffer. Joseph A. Wegmann, another son of the late president, was elected secretary. The new secretary was associated with the company about two years before joining the armed forces, from which he has just been honorably discharged.

Cincinnati Slate Selected

CINCINNATI—The nominating committee of the Cincinnati Fire Underwriters Association has placed in nomination for the governing committee the following for the annual meeting Jan. 10: Walter Alexander, H. A. Roth and Frederick Rauh, the retiring president. G. B. Maggini and D. A. Streit are holdover memers. The group will meet after the annual meeting to select officers from its memership.

Agents Launch New Air Line

MILWAUKEE—John P. Forst and Lloyd H. Goan of the Warner, Forst & Goan agency, Milwaukee, are among the incorporators of a new Milwaukee firm to be known as G. I. Airlines. Both agents are licensed pilots and have been active in flying, development of aviation and aviation insurance. The new firm will deal in aircraft, operate flying fields and serve as common carriers, including a Wisconsin network of airports and aircraft routes.

St. Paul Rehabilitation Course

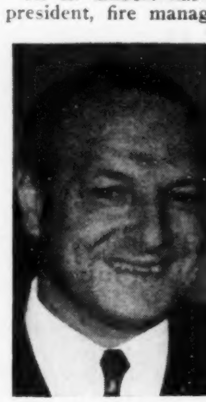
ST. PAUL—To bring returned servicemen up to date on all phases of the company's business, St. Paul F. & M. is opening a rehabilitation course in charge of Donald C. Hawkins, assistant secretary. A large number of St. Paul employes in service have returned to the company.

L. & L. Advances Vennstrom

London & Lancashire has advanced Frederick J. Vennstrom to assistant general adjuster at the head office in Hartford, where he will be associated with Andrew Twaddle, veteran head of the loss department. Mr. Vennstrom, a native of Hartford, has served the company in various capacities for 28 years.

A. E. Gilbert Sees Foreign Expansion Ahead

A. E. Gilbert has been elected vice-president, fire manager and director of American International Underwriters joined the A.I.U. in 1944 after a long career as vice-president of Hanover Fire, one of the companies for which A.I.U. serves as foreign manager.



A. E. Gilbert

For the past two years, Mr. Gilbert has been traveling in Latin America, making extensive surveys of business conditions. He is of the opinion, that, in the era of foreign trade expansion that lies ahead, American firms will be doing business in many foreign lands in which they never before operated. He states that complicated insurance problems involving exchange transactions, loss settlements and restrictive foreign laws, which do not enter into the domestic picture, will confront them.

The conveniences and advantages of American insurance coverage in the foreign field would seem to be obvious, yet, Mr. Gilbert says, some American concerns have entered foreign countries without giving proper consideration to their insurance requirements, only to discover, that, because of exchange fluctuations or through misinterpretation of some foreign law, they find themselves inadequately covered.

As for the advantages to American firms engaged in foreign trade, of coverage in American insurance companies, Mr. Gilbert stresses these points: the policy is issued in the U. S. in American companies and is subject to the jurisdiction of American courts; loss settlements are made direct with the insured in U. S. dollars, thereby eliminating exchange fluctuations as both premiums and loss payments are made in U. S. currency.

Mr. Gilbert is of the opinion that American insurance will emerge as a dominant factor in the field of international insurance during the coming era of American foreign trade expansion.

Philippines Bill Hearings

WASHINGTON—The Tydings Philippine war damage bill will be considered and subject of hearings by the House insular affairs committee after the holidays.

It is pointed out that much of the government cash outlay contemplated for settlement of Philippine claims would be covered by the $220 million collected by War Damage Corp. in premiums. Supporters of Philippine relief legislation say it is reasonable that this fund, or its equivalent, be used for this purpose, since most war damage sustained in United States territory was suffered in the Philippines, although the war damage insurance law was applied only to a limited extent to those islands.

Coomb's Wins Victor Henry Cup

Dorth Coombs of the Anderson-Coombs Agency, immediate past president of the Wichita Association of Insurance Agents, was awarded the Victor G. Henry achievement cup at the annual Christmas party. This cup is awarded annually to the Wichita board member who has contributed most to the associations' advancement in the year. He headed the automobile finance committee of both the Wichita and Kansas associations and was a member of the National association's committee on this subject.

Swedish Fire Chief on Tour of U. S. for Special Study

Receives Honors at Salvage Company Luncheon at Chicago

Fire Chief Sven Sonnenberg of Malmo, Sweden, was the leading distinguished guest at the holiday luncheon given by Underwriters Salvage Company of Chicago. He was sent by the city of Malmo officially to make a study of fire departments, salvage operations, fire prevention work, etc., in this country. He arrived in New York about a month ago.

Although he studied English at school, this was the first time he has had an opportunity to use the language and he is able to carry on well.

Chief Sonnenberg was taken in tow by Chief McAuliffe of the Chicago Fire Insurance Patrol. Capt. C. E. Janson of the patrol acted as his guide and interpreter during his visit. He was a guest of the Chicago fire department, Underwriters Salvage Company, Underwriters Laboratories. He spent two weeks in New York City. He went from Chicago to Detroit, from thence to Jamestown, N. Y., New Haven, and Boston. He plans to return to Sweden Jan. 25.

In his talk at the luncheon he said that if people would take trips to other countries, mix with the people and try to understand them as he has been doing there would be no war. He made a plea for closer acquaintance, more friendly cooperation and mutual help along various lines.

Clarke Munn of the Cook County Loss Adjustment Bureau was master of ceremonies at the luncheon. He introduced Commissioner Corrigan and Fire Chief Mullaney of the Chicago Fire Department and other guests.

The luncheon brought together representatives from the general insurance offices and all the associations. It was more or less in the nature of a reunion and general get together.

The three leading operating officials acted as host, they being Manager Marvin Brownlow, Assistant Manager John McGregor and Secretary A. D. Moore. They were buttressed by J. C. Harding, Springfield F. & M., president; H. A. Clark, Firemen's, and E. A. Henne, America Fore, vice-presidents.

The exploits of Mat Schulein, famous Chicago tavern keeper prestidigitator, were features. The women employes of the salvage company served the luncheon in rare form.

Chief Sonnenberg is interested primarily in fire protection equipment and fire preventive construction in specialized industries such as film laboratories, radio and automobile factories, textile mills and shoe factories. He says that in Sweden the objective is to put the fire out in the blueprint before the building goes up.

In Malmo the city engineers and the fire chief work closely together and pass on plans for all buildings that are to go up. Much emphasis is placed on inspections and fires are investigated exhaustively. If there is evidence that carelessness has contributed to a fire, the guilty person is brought to tow and is punished, at least to the extent of compelling him to pay the fire department costs.

All officers of the fire department are army men and Chief Sonnenberg is a lieutenant in the regular Swedish army. He is a graduate of the State Fire College.

Insurance Man in Army Opposes Participating Plan

Sgt. C. L. Erickson, Headquarters Co., IRTC, Camp Wolters, Tex., writes:

A recent article in the Underwriter was interesting to me because it showed the thinking of underwriters on today's insurance; it concerned the feasability of participating contracts by the old-line stock companies, and also the commission-to-agents subject.

It seems to me, that the old line companies would be making a grave mistake to throw overboard the pattern of operations which have withstood competition through the years, by embarking on participation in premiums with assured. As you know, the statistical picture today is roughly 85% premiums written by stock companies and 15% written by other types of carriers; that ratio held five years ago, ten years ago, and I believe twenty years ago.

Stock carriers never can expect to write 100% of the insurance any more that General Motors can sell all the automobiles or United States Steel all the steel. And if, in our effort to control more than 85%, we desert the principles upon which stock insurance has been sold for the past hundred years—guaranteed cost protection without participation—then the clear-cut demarkation separating stock companies from others will have been dissolved.

Confused in Selection

This development will make more difficult the stock producers' selling arguments of long standing, for then all insurance will be sold with participation; in many cases insurance buyers will become sufficiently confused in selection to drift away from their old insurers if competition offers a more appealing participation, for the same principle of underwriting will reduce itself to percentages—strictly a matter of price selection in lieu of type of protection. A salesman's best selling argument must revolve around clear-cut issues of product, protection and service. Any development which dissolves these takes away from him a potent weapon.

Rates and Commissions

The subject of commissions was also brought up at the underwriters' meeting, and the general thought revolved around the controversial subject of whether too much is being allowed agents today. For the 15 years that I have been close to insurance—six in underwriting and seven in production, before these past two years in the army—the commission subject has been a football, kicked back and forth between producers and underwriters at every meeting. The companies, and insurance commissioners as well, have lost sight of one very important trend—rates. Back in the 1920's rates were still reasonably high on fire business, with "board" commissions at graded percentages, depending upon the class of risk (dwelling, mercantile bldg., mercantile stock, manufacturing, etc.). Today rates must average some 20 to 25% less. Yet commissions have not been increased percentagewise, which means that the producer has absorbed a 20 to 25% decrease in his dollar revenue—certainly a substantial contribution to lower costs for the insurance buyer. Furthermore, the service that must be rendered today often exceeds that which was required 20 years ago, for more complicated, yet streamlined contracts are now available from which to select. How can commissions thus be considered excessive today? No, I feel a further reduction in commissions would only compel producers to reduce their service, thus inviting greater competition from other types of carriers. We should make haste slowly on such **tremendously fundamental matters as these for they are the bulwark of stock company quality and leadership.**

Put Finishing Touches on W.F.I.A.

C. H. Smith

Western Factory Insurance Association was officially put to rest at a luncheon meeting of the officers and membership in Chicago. It went out of existence June 30, 1943, when the three regional factory associations were consolidated into a national organization but there were a great many items that had to be wound up and the management found that this task was a great deal more extensive than had been anticipated.

At the luncheon, C. H. Smith, vice-president and western manager of Hartford Fire, presided. He was the last president of Western Factory and he is now chairman of the advisory committee of the western regional office of F.I.A.

H. A. Grider, former manager of W.F.I.A. and now western manager of F.I.A., gave an extremely interesting historical sketch of Western Factory which had a life span of 52 years. There were 65 at the luncheon.

Early Operations Limited

Mr. Grider pointed out that the operations at the start were very limited due to the fact that at that time there were only a few sprinklered risks. The value of sprinkler equipment was unknown and naturally the progress was slow.

He dealt at some length on the pioneer work Western Factory did in the automotive industry which suddenly blossomed forth in the early 20's and stated that before industry appreciated the fire hazard in pyroxylin and base paints, the association staggered under the losses they suffered as the result of these materials and their uses. He also pointed out how they went ahead to conquer this hazard and change these risks into profitable business.

He touched on their participation in the defense program which started early in 1940 and got underway on a big scale after Pearl Harbor and wound up by explaining how the association was merged into F.I.A.

Mr. Grider voiced the belief that one of the principal assets Western Factory turned over to the new association was a good reputation and the good will of agents and assured.

Lensmeyer New Manitowoc Head

MANITOWOC, WIS. — Louis J. Lensmeyer, who operates the Lensmeyer agency, has been elected president of the Manitowoc Insurance Board, succeeding Edwin Scholton; Theo. J. Hoffman, of Lindstedt-Hoffman Co., is vice-president, and E. L. Nash was reelected secretary-treasurer.

Three members of the board have received state honors in the recent past. Ben F. Frank became president of the Wisconsin Association of Insurance Agents; Eugene Kadow, chairman of the finance committee and Junias Pleuss recently was named president of the Wisconsin Federation of Mutual Fire Insurance Companies.

Curtis Now Wausau President

WAUSAU, WIS.—W. Del Curtis was elected president of the Wausau Insurance Board, succeeding Walter H. Bissell, at the annual meeting. Bert Harding becomes vice-president, and Miss Lillian O. Roehr, of the Flieth Insurance Agency, again was named secretary-treasurer. Several local bankers and a number of local agents and bankers from Merrill attended to withness a showing of the film, "The Bank-and-Agent Auto Plan in Action," by Urban Krier, executive secretary Wisconsin Association of Insurance Agents.

Assail D. C. Rate Cut as "Arbitrary Whim"

Jordan's Expense Allowance Is Condemned as Invalid Power Grab

WASHINGTON—After a second full day's testimony Wednesday of last week the hearing before Superintendent Jordan on his order for reduction of fire and extended coverage rates here, effective Jan. 1, was continued until Jan. 3, with the rumored prospect that the order would be at least postponed.

Besides taking testimony of Alfred M. Best and Scott Harris, Froggatt & Co., Jordan heard last week statements by Ralph W. Lee, Jr., president Washington Insurance Club, and Mr. Skinker, who did not say they opposed the order. Mr. Lee's testimony was described as "not necessarily opposed" to the order, but as being "in cooperation with the companies." He said he would report to the agents' committee of the insurance club.

Virginia Issue Is Raised

During the hearing Senator Abraham Kaplan, companies' counsel, inquired whether Jordan had tried to use the Virginia method in arriving at his conclusions. Mr. Jordan was formerly with the Virginia department.

"I will not testify at this time," replied Jordan.

"The superintendent's office is not under investigation," said Assistant Corporation Counsel Lloyd Harrison.

In a Virginia case cited by Jordan, Kaplan said, mutuals and reciprocals were excluded in determining expense ratio. He said there is a marked difference in commissions paid by stock companies and mutuals; also commissions in large cities and the District of Columbia run higher by 6 to 10 points than in "inland states"; agents in the former "could not survive on 20% commission," he added.

"If you reduce rates to the mutual basis experience," Kaplan declared, "it would be impossible even for mutuals to operate." Mutual experience in the District, expense-wise, is about 42%.

Kaplan Objects

Kaplan said that 13 companies doing only 1% of District business were included in the 73 companies whose figures were used by Jordan as basis for his order. The superintendent "had no right," Kaplan declared, to take a list of companies doing little business and showing expense ratio under 44% and disregard experience of companies doing a large percentage of the business.

Virginia found 42½% expense ratio and the D. C. ratio should be about 6 points higher, Kaplan said.

John R. Barry, Corroon & Reynolds, stated during discussion of New York methods and figures that "we have never conceded New York fixed any expense ratio in determining rates."

Mr. Barry gave figures showing Tennessee windstorm losses far exceeded premiums.

Scott Harris testified expense ratio of mutuals operating in the District in 1944 was 42.04%, and of stock companies, 49.25%.

Kaplan said in response to Jordan's question that it would have made no material difference if mutuals had not been included in the list of companies used by the superintendent in his calculations.

Kaplan submitted an exhibit showing

(CONTINUED ON LAST PAGE)

Principles of Reinsurance Accounting and Statistics

By JOSEPH RAYWID

President Joseph Raywid & Co., Insurance Accountants, New York

In the second reinsurance course given by the Insurance Society of New York, the lectures on reinsurance accounting and statistics were given by Raywid, well known insurance accountant. Mr. Raywid's lectures followed those in which the various types of reinsurance were defined, described, and compared. The following is a summary of his lectures covering briefly the accounting and statistical features pertaining to each type of reinsurance:

Facultative or specific reinsurance: This type of reinsurance differs very little from direct insurance in respect to accounting. We may call it retail reinsurance. The main difference lies in the fact that both parties to the transaction are insurance companies. This feature causes another distinction. The assured (the ceding company or the reinsured) does not pay the full premium but it pays less commission and usually less tax.

The reinsurer issues individual policies and bills it for individual losses, in very much the same way as a company bills the broker for a direct premium. The reinsured bills the reinsurer for return premiums.

In case of losses the reinsured furnishes the reinsurer with proofs of loss and bills them for individual losses. From this you will see that the procedure is as detailed and cumbersome as transactions with individual assured.

Treaty Reinsurance

Treaty reinsurance: In case of this type of reinsurance, there are several methods of treatment depending upon treaty provisions. Individual certificates may be called for in the case of a facultative treaty. However, the usual procedure is for the ceding company to furnish a record of cessions on a form known as a bordereau. The details furnished on this bordereau differ but in all cases certain data are given, such as cession number, location of risk, amount of liability, reinsurance premiums, term, date of commencement, expiration, classification and retention. Cession number is equivalent to policy number of a direct writing company and serves as a reference number for all future transactions such as endorsements, cancellations, and losses. Location, term and expiration are necessary for statistical purposes, premium is needed for accounting and statistical classification, amount of liability and retention are important from the point of view of treaty provisions and also for retrocession purposes.

Loss records are also handled on the basis of loss advice sheets and loss settlement sheets.

The preparation of these records entails a good many details in the reinsurance department but it is a good deal less troublesome than the preparation of individual policies, endorsements, etc. However, with the development of reinsurance pools it is not unusual for the assuming company to deal with the ceding company on the basis of accounts only. This arrangement results in great economy in the office of the assuming company but the ceding company still has to maintain records which are open for inspection or audit by the assuming company.

Portfolio Reinsurance

Portfolio reinsurance: Here, too, the procedure depends on the nature of the transaction. If the portfolio is a result of withdrawal from an agency or territory, the assuming company practically steps into the shoes of the original (ceding) company. The ceding company is not involved in any further details and insofar as the assuming company is concerned it practically becomes a direct insurance transaction.

In case of a reinsurance portfolio which is the initial step in a continuing reinsurance treaty, the portfolio may be a detailed bordereau or a summary by major class, term, and expiration.

Retrocession: This does not differ in principle or routine from the types reviewed above. The quota share or a fixed participation in some or all of the treaties of a reinsurance company is a rather popular method. This type of business is done entirely on the basis of summary accounts. Whenever bordereaux are dispensed with the ceding company is obliged to prepare all statistical data necessary to enable the assuming company to prepare the annual statement.

Statistical Requirements

This brings us to statutory statistical requirements. In the main, they do not differ from the data filed on direct business. The special information is as follows: The ceding company must file a schedule (F) of reinsurance in force with each company to whom business was ceded. In some states the ceding and assuming companies must file a schedule of business done in the state distributed by reinsurance companies.

Premiums and losses must be segregated both for cessions and assumptions by major class and states. Neither cessions nor assumptions need be reported by towns nor is the business included in any classification experience reports.

Statistical data for underwriting purposes is now kept at a minimum because of the method of reporting. Analysis by classification and retention may bring to light the unprofitable business but in the final analysis a treaty must be judged as a whole. If it is profitable it is desirable and if not there is no point in continuing it, regardless of what part of it produces a loss.

Engel Resident Manager in N. Y. for National Liberty

John E. Engel has been appointed resident manager of the National Liberty uptown New York office.

Mr. Engel has been with Home companies for 20 years, his most recent position being with the metropolitan department of Home as supervisor.

Michaels Heads St. Louis Brokers

Harold V. Michaels has been elected president of the Insurance Brokers Association of St. Louis, succeeding Oscar Grueniger. R. V. Heffernan was elected second vice-president, succeeding Louis Puellman. All other officers were re-elected.

Toledo to Be Upgraded

Representatives of the National Board have told City Manager Schoonmaker that upgrading of the city of Toledo to Class 3 may be effected before Jan. 1, with an estimated annual reduction of more than $150,000 in premiums. The council is now acting on a new building code, based on recommendations of the National Board, which has been in preparation for almost two years

To Discuss New Standard Form

The Salina (Kan.) Insurance Board will meet Jan. 3 to discuss the new New York standard policy which has been adopted for Kansas, and late uniform form revisions. George Coffman is program chairman.

Standard Fire of Trenton has declared an extra dividend of $1 in addition to regular quarterly dividends aggregating $3 a share.

List $100,000 Fire Losses for November

According to the New York Journal of Commerce, fire losses of $100,000 or more were incurred in the following cities during November:

Brewar, Me., church, $100,000; Attleboro, Mass., business block, $200,000; Boston, railroad bridge, $150,000; Framingham, Mass., two warehouses, power house, $200,000; Malden, Mass., school, $100,000; Jersey City, oil tank, $100,000; Schuylerville, N. Y., bakery, hotel, business building, $350,000; Wernersville, Pa., manor, $250,000; Rutland, Vt., business building, $250,000; Cairo, Ill., clothing store, $100,000; Granite City, Ill., theater, $100,000; Tuscola, Ill., business building, $150,000; Ft. Wayne, Ind., electric plant, $400,000; Eldorado, Kan., oil refinery, $150,000; Kansas City, Kan., packing plant, $100,000; Crystal Falls, Mich., restaurant, $100,000; Flint, Mich., store, $200,000, and Kawkayin, Mich., plant, $125,000.

Austin, Minn., ballroom, $100,000; Fremont, Nebr., seed plant, $100,000; Archbold, Ohio, woodworking company, $150,000; Cleveland, business block, $115,000; Toledo, porcelain corporation, $1 million; Youngstown, Ohio, veterans building, $100,000; Fond du Lac, Wis., moving compang, $220 million; Atlanta, freight terminal $150,000; Winston-Salem, N. C., warehouse $300,000; Port Arthur, Texas, three barges, $235,000; Winchester, Va., feed mill, $100,000; Fairfield, Cal., warehouse, $1 million; Los Angeles, hotel, $100,000; Oakland, seven shops, $155,000; Redwood City, Cal., engineering plant, $250,000; San Jose, Cal., warehouse, $200,000; San Francisco, truck terminal, $500,000; Carlin, Nev., ice storage building, $250,000; Reno, business building, $100,000; Seattle, auto freight depot, $100,000.

Gappe, Que., maritime fisheries building, $100,000; Gelph, Ont., Business building, $150,000; Seaforth, Ont., furniture factory, $100,000; Trois Pistoles, Que., sawmill, $100,000; Vancouver, apartment building, $100,000; Victoria, five tractors, $100,000, and Winnipeg, business firm, $150,000.

Rhode Island Initiates 5-Year Plan with 4 Renewals on 80% Basis

The five-year annual installment plan of Rhode Island has been approved for use in Indiana by Commissioner Pearson. The assured gets what is technically a one year contract at full rate and has the privilege of renewing for the four succeeding years at 80% of that charge.

President Jesse B. White states that Rhode Island will eventually make application in other states for approval of the plan.

Waters Casualty Superintendent

Aetna Fire has appointed Eric Waters casualty superintendent in Canada. He has been with North America and Halifax.

Fugarty with Fireman's Fund

Ray J. Fugarty, formerly with Travelers at Kansas City, has been appointed adjuster for the Fireman's Fund group at Wichita where new offices have been established at 207 Schweiter building.

Kansas Meeting Called Off

The scheduled meeting of the executive committee of the Kansas Association of Insurance Agents set for Wichita was called off due to severe cold weather and heavy snow.

Two Large Chicago Fires

Two sizable fires occurred simultaneously in Chicago Monday morning. According to newspaper reports, loss is $200,000 in the building at 4401 South Western avenue, from which the Eagle-Picher Lead Co. was moving out and in which Mid-West Textile By-Products Co. had values. Western Adjustment is handling this loss. Estimated at $50,000 is the loss to an old building at Franklin and Wells that was leased by Armour & Co. and used as a branch by the packing firm. T. J. Houston & Co. is the adjuster.

Merchants Mutual Casualty is raising salaries 10% for employes earning up to $5,000 a year.

Ark. Ready for 100 Class Plan

LITTLE ROCK—The Arkansas Fire Prevention Bureau announced that beginning Jan. 1 the new 100 classification system will be placed into effect in Arkansas. Until rate books can be republished with each individual risk bearing its appropriate code number, the bureau will add the correct code number to all daily reports passing through its audit division.

Later, agents will be asked to insert these code number when policies are written just as agents now insert the published serial number which is attached to each rated risk.

Three General Categories

Under the new system each risk will be classified according to three general categories designated by three hyphenated numbers, namely, (1) the peril insured against designated by the first of the three numbers; (2) the occupancy classification indicated by the second number; and (3) the class of construction and protection designated by the third of the three numbers in the code.

Thus, for example, fire coverage on a retail brick mercantile will be shown as "10-040-3", meaning "fire-retail mercantile-brick protected."

Combination occupancy risks will be classified under their principal occupancy.

There are five general occupancy groupings which in turn are sub-divided into numerous sub-classifications. These major groups are: "Habitational Risks," numbered 001 through 021; "Mercantile Risks," 040 to 055; "Non-manufacturing Risks" (public buildings, service establishments, etc.), 070 to 165; "Manufacturing Risks," 200 to 820; and "Sprinklered Risks," 900 to 925.

Perils Insured Against

The perils insured against which are indicated by the first number of the three-number code are indicated as follows: "10"—Fire; "20"—Extended Cover; "30"—Windstorm; "40"—Sprinkler Leakage; "50"—Riot, Civil Commotion, and Explosion; and "60"—Earthquake.

Time element policies are to be indicated by adding the figure "1" to the above numbers. Thus, for example, the fire coverage under a business interruption policy will be indicated as "11", extended coverage as "21", windstorm as "31", etc.

Under this new code system, it will be easier to make each class of risk to "stand on its own bottom" from an experience and rating standpoint, Manager George D. Suter said, by making it possible easily to apply a 5% or 10% increase or decrease to each particular class from time to time once a five year experience record on each classification is obtained.

At the present time, all protected mercantiles in Arkansas are subject to a blanket 5% decrease from published rates because of past favorable experience. Under the new system such a decrease of 5% or greater amount might apply to some classes of mercantiles while not to others in which the experience has not been too favorable.

Roy E. Carr Leaves Insurance

Comm. Roy E. Carr has resigned as vice-president of Atlantic Mutual to go into the import and export business in Jersey City, operating as Carr, Inc. A naval academy graduate, he was senior naval officer in Southern France.

Hobart C. Brady, head of the Brady agency of Wichita, has been named president of the Chamber of Commerce there succeeding J. H. Burns, Jr., of the Harris, Burns & Co. agency. R. S. Brewer of Wheeler, Kelly, Hagny agency becomes chamber treasurer. Other insurance men on the board are Paul Jernigan, Penn Mutual Life general agent, and Ewing B. Fergus, branch manager Kansas Inspection Bureau.

Commerce Issue in California Appeal to U. S. Supreme Court

WASHINGTON—F. O. Robertson, agent of First National Benefit of Arizona, has filed his brief with the U. S. Supreme Court in his appeal from the California supreme court's decision that he had violated the state license laws.

Main points of his argument, as summarized in his brief, are:

1. A local statute which discriminates, either by way or regulation or taxation, between local companies and those engaged in interstate commerce is void. California law which will admit only those insurers whose bookkeeping system is on the legal reserve basis to that state and is at the same time allowing a group of insurers in that state to operate on the non-legal-reserve basis is void as applied to transactions in interstate commerce.

2. Where the subjects on which the power to legislate may be exercised are local in their nature or operation or constitute mere aids to commerce, the authority of the state may be exerted by it through its laws until Congress or an act of Congress supersedes it, but where the act purports to reach out across state lines and regulate business transacted in other states, it violates the commerce clause of the United States constitution.

3. The law of California cannot require a party engaged in interstate commerce to obtain its permission by way of license to complete an interstate with one of its citizens.

4. The laws of California as applied to the acts for which the appellant was tried and convicted are unconstitutional in that they constitute an undue burden upon and an interference with interstate commerce, and in that they prohibit interstate commerce.

5. The acts for which appellant was convicted, of aiding a non-admitted insurer and of transacting business in California, as set out by the superior court in its opinion, do not constitute doing business in California.

Surplus Line Law Attacked

6. The only exception to the prohibition against assisting in any interstate insurance transaction in California is the unconstitutional and discriminatory surplus line brokers law, under which anyone who endeavors to assist in a transaction in interstate commerce must obtain a license, pay a discriminatory 3% tax, must not write the business in a non-admitted insurer unless there is no admitted insurer in which the business can be written, and he must not write it for less premium than it would be written by any company admitted to California.

7. Congress cannot amend the constitution and it has not intended by any enactment to extend state regulation of insurance beyond the regulations permissible under the commerce clause of the constitution. The dividing line between state and federal power is fixed by the constitution. Congress could not give the states any more power to regulate interstate commerce than they already have.

Split on Merchant Fleet Future Eyed

One feature about the postwar period that will be entirely different from that which followed the last war is that aviation and radio will bring all countries so much closer together in the matter of time. American business men will be able to make quick trips nearly anywhere in the world and can find out for themselves what the conditions are. Another factor will be the influence of our armed forces abroad in introducing to the people in those countries American products for which the demand might otherwise have been years in developing.

The extent to which American insurance can participate in all this depends on how well sold American business men and their American financial backers are sold on the advisability of placing their insurance in the American market, which of course includes the authorized U. S. branches of British companies.

Unlike their British counterparts, American business and financial men do not usually take much interest in whether insurance on their ventures is placed at home or abroad. British importers and exporters are accustomed to ship British and insure British and British bankers specify that the insurance shall be in the British market. If American insured were to display a little more of this attitude, though not in a narrow way, it might help break down some of the intensely buy-British insurance outlook.

Procopio New England Underwriter for Employers

Comm. S. F. Procopio of the navy insurance department will return to the Employers Group Jan. 2 as superintendent of underwriting for the New England department.

Lt. Comm. Frank Sartore of the navy insurance department has returned to Brown, Crosby & Co., brokers. He had been in the navy since the fall of 1942.

Loading, Unloading Decision Is Lost by Truck Insurer

Pacific Automobile, as the truck insurer, has been held liable by the Utah supreme court under the loading and unloading clause and Commercial Casualty, as insurer of the liability risks of the same assured other than those arising from the operation of trucks, was absolved of liability.

Fisher Brewing Co. was the assured. At the time of the accident employes of the brewing company were delivering beer to a restaurant. They parked at the curb, took the kegs off the truck and placed them on the sidewalk. One of the employes went in through the building and opened the manhole door in the sidewalk through which the kegs were lowered into the basement of the building. While the kegs were being taken into the basement, a blind man walking along the sidewalk fell into the open manhole. Pacific Automobile, as the truck insurer, paid the claim and then brought suit against Commercial Casualty to recover.

Controlling Element

The court concluded that the proper rule is that the mission, or transaction or function being performed by the insured's employes at the time of the accident is the controlling element in determining whether the situation from which the accident occurred is included in loading and unloading. The job being performed here, that part of the insured's business functioning at the time of the accident was that of making a proper commercial delivery. The Pacific Automobile policy included and the Commercial Casualty policy excluded the business of making commercial delivery. Both policies treat the "use of the truck" as expanded to cover all activities involved not only in transporting and hauling, but in doing all things in getting the articles on the truck and off the truck which were necessary and proper in making and completing the commercial delivery of the goods—all things which the employes were required to do in making delivery of the beer, and in which the truck was involved as one of the media of transport.

Since the accident was the result of acts and conduct of Fisher's employes while engaged in making a commercial delivery which was the purpose for which, and the field over which the Pacific Automobile policy was written and was the field of liability which Commercial Casualty's policies specifically excluded, it must follow, the supreme court stated that the judgment of the district court in favor of Pacific Automobile is in error.

Zar E. Hayes, Arthur H. Nielsen of Salt Lake, were attorneys for Pacific Automobile and Irvine, Skeen & Thurman appeared for Commercial Casualty. The case is recorded at CCH 710,061.

Insurance Lawyers Bar Officials

Two prominent insurance attorneys were elected to office in the American Bar Association at its meetings in Cincinnati last week. Willis Smith, Ralegh, N. C., the new president, served two terms as president of the International Association of Insurance Counsel. He has a large insurance practice in Raleigh. Representatives of the International Association attending the American Bar meeting gave a reception for Mr. Smith after his election.

Deane C. Davis, vice-president and general counsel National Life of Vermont, was elected to the board of governors and was also chosen one of the three members of the budget committee. On his way west, Mr. Davis encountered the 68-inch snowfall in the vicinity of Buffalo, which delayed his train 14 hours.

Mid-States of Chicago has been licensed in Washington.

AS SEEN FROM CHICAGO

YOUNGBERG-CARLSON APPOINTED

The Youngberg-Carlson Co. general insurance agency of Chicago has been appointed general agent by Continental Assurance. Samuel Leland, an experienced agency organizer, is in charge of the new life department, which already has done a substantial volume of business. The agency also acquires accident and health facilities.

Youngberg-Carlson at one time was general agent of Midland Mutual Life but secured most of the business from brokers and did not produce a striking volume. The plans under Mr. Leland's direction call for development of a large, active life insurance department, especially built around ordinary production and group permanent life insurance, a feature which Continental Assurance especially offers.

The agency has a very large clientele of leading Chicago business and industrial firms which have problems of employer - employe relationships that need to be settled. The group permanent arrangement has been found especially beneficial in this connection.

The Youngberg-Carlson Company is 25 years old. It does a large general fire, casualty, surety and marine business. Not long ago the agency moved into handsome ground floor location on La Salle street in the financial district.

A. C. Youngberg is president of the agency, F. A. Carlson, vice-president, Walter J. Patterson is in charge of the fire and engineering departments and Arthur Hecht is secretary in charge of accounting.

COL. MIDDLETON BACK FROM ARMY

George Middleton, one of the most prominent and successful Chicago brokers, commanding officer for about three years of a regiment in the replacement training center at Fort Sill, Okla., has been placed on inactive status and returned to Chicago to resume his insurance business with office in 231 South La Salle street in the quarters where for some years before the war he was situated. Col. Middleton has been a colonel since July, 1943. He went into the service as a lieutenant-colonel. He was in the service in the first world war, being a first lieutenant of infantry in France and seeing active combat duty. Some years ago before opening his own brokerage office he was a metropolitan supervising agent and member of the Chicago Board in association with Bradford Gill in the agency firm of Middleton & Gill, which later became Gilbert & Gill when Mr. Middleton withdrew and Charles Gilbert entered the firm.

GUND JOINS A. F. SHAW & CO.

Henry Gund, formerly connected with the New York City office of St. Paul F. & M. since 1935, has been appointed to handle inland marine and jewelers' block policies for A. F. Shaw & Co., Chicago. Mr. Gund is a University of Nebraska graduate, holder of the Phi Beta Kappa key and has been in the business 14 years. He will specialize in jewelers block insurance.

PRESS CHICAGO HOUSING

Latest development in the attempt of the city of Chicago to interest insurance companies in investing in proposed housing projects there is the appointment of a subcommittee of the city council housing committee to study proposed legislation that would "compel" insurance companies doing business in Illinois to invest 75% of their reserves on Illinois policies in state and private housing projects.

The subcommittee was formed as a result of a resolution introduced by Alderman Bohling.

The alderman stated that he had insisted upon the creation of the subcommittee to serve as a whip to state legislators from the Chicago district to push through legislation compelling companies to invest in Illinois.

Ald. Bohling admitted that the inspiration for this line of thinking came from the Robertson law of Texas. Under this law, life companies operating in Texas must invest 75% of the reserve on Texas policies within the state. The alderman said it was his hope that such a law, if passed in Illinois, would be amplified to include all types of insurance companies.

Bohling also indicated that he envisaged legislation which would grant insurance companies "certain tax exemption features and a stable tax rate for about 25 years." Specifically he said he had in mind the state rehabilitation law of New York which provides that the insurer must continue to pay taxes on the basis of the present assessed value of the property but need pay no taxes on the improved value for 25 years.

Meanwhile Ald. B. B. Moss, chairman

of the housing subcommittee who made a recent inspection visit to New York City, reported that "several insurance companies there had expressed interest in the possibility of devising an investment field in Illinois if the tax adjustment could be guaranteed."

BUYERS HOLD ANNUAL PARTY

The annual get-together of the Mid-West Buyers Association was held at the Lake Shore Club. M. G. Erickson of Quaker Oats Co. had charge of arrangements. Twenty-five members were present.

MRS. DALMAR ENTERTAINS

Mrs. Hugo Dalmar entertained members of the Insurance Distaff Executives Association of Chicago at a Christmas party in her home in Evanston. This took the place of the regular monthly meeting.

NEWS OF FIELD MEN

Harper to Scottish Union in Minn.

Scottish Union & National has appointed Elwood G. Harper state agent for Minnesota. He succeeds G. S. Tompkins, who has been promoted to assistant secretary at the home office.

Active in Fire Prevention

Mr. Harper, a life long resident of Minneapolis, has been state agent of Northern of England and is widely known throughout the state by reason of his activity in the Minnesota Fire Prevention Association, which he has served as secretary for many years.

Mich. Rally Jan. 17 in Grand Rapids

Michigan field men will hold their mid-winter meeting Jan. 17 in Grand Rapids. The Michigan Fire Underwriters Association and Michigan Fire Prevention Association will hold meetings during the day.

The Blue Goose business meeting and initiation will be held in the afternoon with a banquet in the evening.

The Fire Prevention Association will inspect South Haven the previous day.

L. J. Smith in Charlotte Again for Hartford Fire

L. J. Smith has resumed duties as special agent in North Carolina for Hartford Fire and Citizens after two years in the army from which he emerged a captain. He will share his office in Charlotte with M. G. Hunter as he did before entering the service.

Robert Belford to London in Minnesota-N. D. Field

Navy Lt. Robert O. Belford now on terminal leave has been appointed state agent for Minnesota and North Dakota by London Assurance.

Mr. Belford was a scholarship F.P.E. graduate at Armour Institute and subsequently spent several years with Fire Underwriters Inspection Bureau.

In 1940 he went with Pacific National Fire as special agent and in 1942 entered the navy. He was security officer for the 9th Naval District in charge of fire protection facilities.

Meacham Elected Chairman of Florida Field Conference

At the December meeting of the Florida Field Conference Hudson P. Meacham, special agent for Springfield F. & M., Orlando, was elected chairman. He succeeds H. A. Chadbourne, special agent for Aetna Fire.

A. W. Roberts, state agent Phoenix, Orlando, was re-elected vice-chairman, and B. E. Rackley, special agent Whitner & Lawrence, general agents, Jacksonville, was elected executive secretary. He succeeds O. W. Houston, special agent North America.

Western Wash. Election Jan. 4

The western Washington division of the Special Agents Association of the Pacific Northwest will hold its annual meeting in Seattle Jan. 4. H. R. Breshears, American, is president. If the officers are advanced, as is the custom, Paul F. Harrington, New York Underwriters, will become the new president.

Later in the month the Seattle field men will go to Portland for the joint meeting of the western Washington and Oregon divisions.

Returns to Montana Field

Lt. Howard Rutherford is being released from the navy Jan. 1 and will return to his old position as special agent in Montana of Great American. He has been stationed at Seattle for the past month.

Joins Norwich Union in Ore.

C. V. Patterson has been appointed special agent in Oregon of Norwich Union. He started in the business with Northwestern Mutual Fire at Portland.

Harry Clark with N. H. on Coast

Harry Clark has been appointed inland marine underwriter in the Pacific department of the New Hampshire, succeeding Peyton R. Wise, resigned to join the Charles E. Currey office. During the war Mr. Clark served in the merchant marine.

West Va. Field Club to Meet

The Field Club of West Virginia will meet Jan. 30 at Parkersburg. Details of the program are being worked out.

Johnson Minn. Survey Engineer

Walter A. Johnson has been released from military service and appointed fire survey engineer by Travelers Fire at Minneapolis. He entered the army in 1943 and was on active duty in the South Pacific for about two years, becoming a staff sergeant.

Rooney to Atlas in Carolina

Atlas has appointed Capt. Russell T. Rooney as special agent for South Carolina and western North Carolina, succeeding John F. Satterlee, who was called to the home office some time ago to serve as general adjuster.

Capt. Rooney is on terminal leave after having served with the army 43 months in the Pacific. Before going into the army he was with the South Carolina Inspection Rating Bureau. His office will be in the Liberty Life Building, Columbia, S. C.

Butler to N. Y. Underwriters

William Butler, formerly with the Oklahoma Audit Bureau, has received his discharge after more than three years in the navy and has been appointed special agent of the New York Underwriters. He was assistant superintendent of the Oklahoma Audit Bureau for 15 years.

Wilson, Camp Return to Ohio

Special Agent D. K. Wilson and Adjuster R. L. Camp have returned from the navy and army, respectively, to the northwestern Ohio service office of Fire Association.

Mr. Wilson has been absent for several years in the navy and Camp has seen service in the army. They will have headquarters at 1611 Williamson building, Cleveland.

Honor Oklahoma Returnees

The Oklahoma Blue Goose held its Christmas party, with 204 ganders and

their wives in attendance. It was a dinner dance in honor of returned veterans who had been members of the pond before entering service. Wives of the returned veterans were each presented with a compact decorated with a hand painted Blue Goose.

Next Ohio Meeting Feb. 5

The Ohio Fire Underwriters Association will hold no meeting in January. The next meeting will be Feb. 5 in Columbus.

The **Alamo Blue Goose** will initiate six goslings in San Antonio, Tex., Jan. 21. At the December meeting Col. Frank L. Dunn, army air corps, son of S. A. Dunn, Hartford farm department, who has been decorated for distinguished service, spoke.

The **California Blue Goose** will hold an initiation in Los Angeles Jan. 4.

The **Great American** group has moved its Kansas City offices to 606 Waldheim building.

NEW YORK

CHANGE IN FISCAL YEAR

Some companies have their fiscal year close Oct. 30 instead of Dec. 30. The reason they do this is to get their 12 months figures together, analyzed, studied so that when they have conferences the field men and examiners may have definite amounts to deal with. This has proved to be decidedly advantageous to the companies using this system. Furthermore it does away with the grand December rush to get in overdue premiums. This work is begun in September when there has been no special pressure put on them.

LICENSE NEW MUTUAL

Cosmopolitan Mutual, an affiliate sponsored by Butchers Mutual Casualty, has been licensed in New York.

REP. HARTLEY SPEAKS JAN. 17

Congressman Fred A. Hartley, Jr., will be the speaker at the Jan. 17 dinner meeting of the New York City Blue Goose. The meeting will be at the Robert Treat Hotel, Newark.

Robert F. Moore, state agent of Boston in New Jersey, will tell of the progress being made on plans for the 1946 grand nest meeting to be held in New York Aug. 20-22. He is general chairman.

Another Bowling Alley Burns

PORT HURON, MICH.—A bowling alley fire here caused a loss of approximately $125,000. The Red Crown Recreation building, containing 16 alleys, and an adjoining building burned.

Convention Dates

Jan. 9. Farm Underwriters Association, Chicago.

Jan. 18. South Dakota Agents, Huron.

Jan. 23-25, National Assn. A. & H. Underwriters (mid-year), Lassen hotel, Wichita.

Jan. 25. American Association of University Teachers of Insurance, Cleveland.

April 1, 2, Missouri Agents' Midyear, Hotel Statler, St. Louis.

May 15-17, Insurance Accounting & Statistical Association, Baker Hotel, Dallas.

April 4-5. Minnesota Agents, mid-year, Minneapolis.

April 30-May 2, American Association of Insurance General Agents, Biltmore Hotel, Atlanta.

May 3-5. North Carolina agents, Pinehurst.

May 12-15. National Assn. of Insurance Agents, mid-year, Cincinnati.

June 23-25, National Association of Accident & Health Underwriters, Denver.

Sept. 22-26. National Assn. of Insurance Agents, Brown Palace Hotel, Denver.

National Auto's Northern California Office Expands

The northern California office of National Automobile & Casualty in San Francisco has been expanded to take in the entire mezzanine floor of the California-Commercial Union building. The staff has been increased. Harry S. Keates joins the company as claims manager. Herbert C. Kohlwes becomes superintendent of the bonding department. Lee Weson, just back from service, becomes casualty underwriter. Warren Schell, also back from service, has been named adjuster, and Louis E. Viera and Ray D. Smith, claim adjusters. The staff now consists of 75 employes.

Four Join Currey Office

SAN FRANCISCO—Peyton R. Wise has been appointed inland marine underwriter of Boston and Old Colony, Providence Washington, Anchor and National Union in San Francisco under the management of Charles E. Currey. He has been with New Hampshire for several years in the same capacity.

John J. Curtin, who was a security officer at the San Francisco Presidio and also at military installations in the northwest has been appointed safety engineer for the Currey office. He was formerly with the brokerage firm of Cosgrove & Co.

Capt. Charles Coffeen, formerly with the Ellerback agency at Hastings, Neb., just released from the army, has joined the Currey office. Dan Miller, a former employe of the office before enlisting in the navy, has returned to his old position as special agent in Sacramento.

Form Pact on Overlapping Cover Adjustments

(CONTINUED FROM PAGE 1)

course, expands the temporary agreement for adjusting bailees and customers policies of laundries and dry cleaners on the one hand and the 10% off premises cover of the dwelling contents policy on the other.

The pact is called "Agreement of Guiding Principles". It follows:

AGREEMENT OF GUIDING PRINCIPLES FIRE—INLAND MARINE

Whereas from time to time disputes arise in the adjustment and apportionment of losses under two or more policies because of overlapping coverage, which disputes require litigation or arbitration to determine the rights and equities of the underwriters of the respective policies, and

Whereas the occurrence of such disputes is against the interests of the insuring public and the companies,

Therefore be it resolved that the National Board of Fire Underwriters and the executive committee of the Inland Marine Underwriters Association recommend to their respective members their concurrence in adopting the following principles with respect to insurance under inland marine policies, certificates or certifications overlapping with insurance under any other policies, certificates or certifications issued by fire insurance companies except ocean marine, automobile and aircraft insurance.

PRINCIPLE I

Insurance Covering Scheduled Property Shall Take Precedence Over Any Other Insurance

Insurance effected on an expressly described article or object for an express amount, or scheduled individually itemized articles or objects with an express amount of insurance applying to each, and not in the custody of a bailee, shall be deemed to insure independently of any other insurance by whomsoever effected to the same extent as if no other insurance existed.

PRINCIPLE II

Two or more Insurances Covering Scheduled Property Shall Contribute

Two or more insurances covering an expressly described article or object for an express amount, or scheduled individually itemized articles or objects with an express amount of insurance applying to each, and not in the custody of a bailee, shall contribute in the proportion that the amount insured under each policy on such article or object involved in the loss bears to the sum of all scheduled insurance on such article or object, but in the event any coinsurance average, or distribution clause(s) contained in one or more of the policies operate, contribution shall be as provided in general condition No. 3 of this agreement.

PRINCIPLE III

Insurance Specific As to Location Shall Take Precedence Over Floating Insurance

Insurance, on property not in the custody of a bailee, specifically covering at the named address or location at which a loss occurs shall be deemed to insure independently of any blanket floating insurance by whomsoever effected to the same extent as if no other insurance existed.

PRINCIPLE IV

Two or More Insurances Specific As to Location Shall Contribute, Except As Provided in Principle V

Except as specifically provided in principle V, two or more insurances, on property not in the custody of a bailee, specifically covering at the named address or location at which a loss occurs shall contribute as provided in general condition 3.

PRINCIPLE V

Personal Property Floaters and Household Contents Insurance Shall Contribute

Insurance on property covered by the Personal Property Floater and the household contents policy shall contribute to loss or damage.

A. At the residence or location named in the policies, in the proportion that the amount of each blanket insurance bears to the sum of all blanket insurance, except that as respects the personal property floater, the amount of insurance contributing shall be determined by deducting.

1. The total amount of any unexpired insurance covering at the location at which the loss occurs, as disclosed in the pick-up or credit endorsement(s) attached to and forming part of the personal property floater insurance, and

2. The total amount of any undisclosed insurance covering at the location at which the loss occurs, but where stated limits of liability operate in any policy on certain articles or property, the value and loss on such property shall be deleted from the adjustment, and contribution shall be as provided in general condition 3, on the property subject to such limit(s) of liability.

B. At all other locations, off-premises, or in all other situations covered by the policies, contribution shall be as provided in general condition 3.

PRINCIPLE VI

Two or More Blanket Floating Insurances Shall Contribute

Except as specifically provided in principle V, two or more insurances covering on property not in the custody of a bailee

(a) without an express amount of insurance applying to each expressly described or individually itemized article or object, and

(b) at an unnamed address or location, shall contribute as provided in general condition 3.

PRINCIPLE VII

Insurance Effected by Bailee On Property Shall Take Precedence Over "Off Premises" Household Contents Insurance

Insurance on property effected by a custodian covering on property owned by or belonging to others, under a bailees' customers or similar form of inland marine policy, shall be deemed to insure independently of any other insurance, to the same extent as if no other insurance effected by the owner under "off premises" household contents insurance existed.

Nothing in this agreement shall affect the right of action accruing under subrogation against the bailee.

PRINCIPLE VIII

Insurance Effected by Bailees On Property Shall Take Precedence Over Bailors' Insurance Except As Provided in Principle VII

Except as specifically provided in principle VII, insurance on property effected by a custodian covering on property owned by or belonging to others, either directly as under a bailees' customers or similar form of inland marine policy, or indirectly as under a general contents or stock policy including property of others under "trust and commission" or similar coverage, or otherwise, shall be deemed to insure independently of any other insurance, to the same extent as if no other insurance effected by or for account of the bailor or owner existed, unless there be a valid written agreement or contract between bailor and bailee expressly providing either

(a) that the property shall be at the risk of the bailor, or

(b) that the bailor shall effect insurance on the property, in which event the bailees' insurance shall not apply.

Insurance covering the bailees' own property and also directly or indirectly covering property owned by or belonging to others, may first be made available to pay any loss or damage occurring to the bailees' own property and bailed property not otherwise insured. Adjustment of loss on such property shall be subject to all terms, conditions and limitations of liability contained in the policy, except that value and loss of bailed property otherwise insured shall not be included.

Thereafter, the limit of liability under the policy shall be determined by including value and loss of all property at risk. If the limit of liability so determined exceeds the amount of the adjusted loss on the bailees' own property and bailed property not otherwise insured, the excess only shall be made available, as above provided for bailed property otherwise insured.

If the adjusted loss on the bailees' own property and the bailed property not otherwise insured exceeds the limit of liability above determined, the full amount of such limit of liability shall be paid to such interests only, and the bailors' insurance shall pay the loss or damage to bailed property otherwise insured.

Right of action accruing under subrogation, by assignment, or otherwise acquired against the bailee, shall not be prejudiced or affected, except that if the exercise of such right shall be in conflict with the purpose of this Agreement, such right of action shall be waived.

PRINCIPLE IX

Bailees' Customers Insurance Shall Take Precedence Over Other Insurance Effected By the Same Named Bailee-Assured

Insurance effected by a custodian covering on property owned by or belonging to others under a bailees' customers or similar form of insurance, shall be deemed to insure independently of any other insurance effected by the same named custodian under a general contents or stock policy including property of others under "trust and commission" or similar coverage, to the same extent as no such other insurance existed.

GENERAL CONDITIONS

As to principles I to IX inclusive, and any additional principles or amendments as may hereafter be adopted, it is agreed:

1. That as between company members only, the terms of any "other insurance", "excess", or "contribution" clause(s) contained in the policies, certificates, or certifications of insurance, shall be set aside and be inoperative to the extent that they are in conflict with the purpose of this agreement.

2. That any coinsurance, average, or distribution clause(s), or any other limitation of liability contained in any policy(ies) shall be fully operative, unless otherwise specifically provided.

3. That "contribution", unless otherwise specifically provided, shall be on the basis of the applicable limit of liability under each respective policy as though no other insurance existed, and the limit separately determined under each policy shall be

(a) the amount of insurance, or

(b) the amount of loss, or

(c) the amount payable after applying any policy limitation, whichever is the smallest amount. The limits so determined of all policies herein declared contributing shall be added and, if the total amount exceeds the whole loss, each policy shall pay its proportion of the loss as its limit bears to the sum of all the limits, but if the sum of the limits of liability is less than the whole loss, then each policy shall pay its limit of liability.

4. That insurance declared to be non-contributing shall not include, in applying any coinsurance, average, or distribution clause(s) contained in any policy(ies), the value or loss on property covered under the insurance declared to be primary, other than to the extent of any excess value and loss recoverable under the primary insurance.

5. That insurance covering property both scheduled and blanket, or both specific as to location and floating, shall be deemed to insure each item or portion separately, and that the loss shall be adjudged in accordance with the principle applying to each item or portion declared to be separately insured.

6. That the principle specifically providing the basis of settlement of disputes shall prevail over any principle more general in scope.

7. That payments of loss, or advances under loan agreements, shall not affect or prevent the application of this agreement.

8. That differences of opinion respecting the application or effect of this agreement shall be submitted for arbitration to the joint arbitration committee established by the National Board of Fire Underwriters and the Inland Marine Underwriters Association.

9. That acceptance of this agreement shall not prejudice or affect any procedure in force for adjustment, apportionment, or arbitration of losses between

(a) individual members of the National Board of Fire Underwriters, or

(b) individual members of the Inland Marine Underwriters Association, and applicable to overlapping coverages within their respective fields.

EXPLANATORY REVIEW OF THE AGREEMENT OF GUIDING PRINCIPLES

Principle I—Insurance on property schedule under either fire or inland policies is primary. This Principle applies solely to scheduled ar-

ticles with an amount of insurance along side each individual item such as:—

1 Persan Lamb Coat....................$600
or
1 Diamond ring 1¼ kts., 10 baguettes. 850
or
1 Leica Camera No. xxx with B & L Lens No. xxx.................... 285

Items insured blanket such as:—
4 Wagons
8 Horses
Harness blankets and miscellaneous equipment
Insured for $2,000 not exceedng $150 any one horse.
or
Silverware $5,000

do not come within this Principle as they are not "scheduled individually itemized articles or objects with an express amount of insurance applying to each" article or object.

Principle II—Insurance on property scheduled under both the Fire and Inland policies contributes in proportion to the amount of insurance carried by each company.

Example:

Fire policy insures
1 Persian Lamb Coat..................$ 400
Inland Fur Floater insures
1 Persian Lamb Coat.................. 600

Total Insurance $1,000

Apportionment:—
Fire policy 400/1000
Inland Fur Floater 600/1000

Where one or the other policy contains a co-insurance clause or a provision that would reduce the amount recoverable by the owner, such as a deductible, the Limit of Liability rule will apply as provided in General Condition 3.

Example:

Fire policy insures per schedule
1 Persian Lamb Coat..................$400
(Subject to 80% co-insurance)
Inland Fur Floater insures
1 Persian Lamb Coat.................. 600
(Subject to $50 deductible)
Sound value as agreed $600
Loss $300

Limits of Liability:
Fire policy 400/480 × $300.......$250
Inland Fur Floater $300 less $50 deductible 250

Total Insurance Available...$500

Apportionment:
Fire policy pays 250/500 × 300 = $150
Inland Fur Floater pays 250/500 × 300.............. = 150
Loss $300

Principle III—Property insured at the named location at which the loss occurs is primary over floater insurance.

Example:

Owner carries
A—Fire insurance at contractor's premises ....$ 5,000
B—Inland Garment Floater naming Contractor's premises among others, but insuring blanket as to amount at each location 50,000

Apportionment:
Fire insurance is primary and Inland Garment Floater pays the excess, if any.

(If bailee insurance is available Principle VIII would operate as between the bailee insurer and the primary location insurer.)

Principle IV—Where both fire and inland policies cover at the same named location at which the loss occurs, they contribute.

Example:

Owner carries
A—Specific Fire insurance at Contractor's Premises $5,000
(Subject to 100% co-insurance)
B—Inland Garment Floater for $10,000 naming Contractor's premises for an amount of 5,000
(Subject to 100% co-insurance at all locations)

Sound value at Contractor's premises $12,500—Loss $5,000
Sound value at all locations—$15,000

Limits of Liability:
Fire policy—
5,000/12,500 × 5,000 = $2,000.00
Inland Garment Floater—
10,000/15,000 × 5,000 = 3,333.33

Apportionment:
Fire policy pays..2,000/5,444 × 5,000
Inland Garment Floater pays ...3,333/5,333 × 5,000

Principle V—The "Personal Property Floater" in quotations in the title is intended to indicate that specific form of Inland floater and not personality in general.

Two bases of contribution are provided in order to equitably adjust claims between the Fire and Inland subscribers:—

(A) Loss at the location named in both insurances requires consideration of the fact that the inland form of "Personal Property Floater" contemplates insurance to value. The unexpired Fire insurance for which a credit has been allowed reduces the "Personal Property Floater" insurance.

Example:

Personal Property Floater insurance.$10,000
Unexpired Fire insurance............ 5,000

Otherwise uninsured than under Personal Property Floater.......$ 5,000

Apportionment:—
Personal Property Floater pays 5,000/10,000
Fire pays 5,000/10,000

Where the loss applies to general household contents as above, but may include loss on unscheduled jewelry on which the Personal Property Floater would cover for but $250, whereas no limit appears under the Household Contents insurance, General Condition 3 operates.

Example:

Loss on general contents............$ 2,000
Loss on jewelry 500
Sound values—general contents....... 9,000
Jewelry 1,000

$10,000

Insurance carried:
Personal Property Floater...........$10,000
(All jewelry insured but subject to $250 loss limit)
Fire insurance 5,000
(No limit on jewelry)

Apportionment:

Insurance Carried	Pays on Contents (Pro rata)
PPF $10,000	5,000/10,000 × 2,000
Fire 5,000	5,000/10,000 × 2,000

Insurance Carried	Pays on Jewelry (Limit of Liability)
PPF $10,000	$250 — 250/750 × 500
Fire 5,000	500 — 500/750 × 500
	$750

(B) At all unnamed locations the Limit of Liability rule would apply.

Example:

Loss at secondary residence...$ 700
Insurance carried:
Personal Property Floater.... 10,000
(with limit of 10%)..........
Fire Insurance 5,000
(with limit of 10% "off-premises") 500

Coverage available to assured.....$1,500

Limits of Liability:
Personal Property Floater...........$ 700
Fire insurance 500

Total Insurance Available........$1,200

Apportionment:
Personal Property Floater pays—
700/1,200 × 700 = $408.33
Fire insurance pays—
500/1,200 × 700 = 291.67

Principle VI—Where both Fire and Inland policies cover the loss in the absence of each other, they contribute.

The exceptions:

1. in the custody of a bailee,
2. scheduled, or
3. at the specific location at which the loss occurs,

apply as each such conflict is otherwise specifically provided for.

Principle VII—This Principle refers only to property insurance and not legal liability insurance. Insurance effected by a bailee on customers' goods shall be primary. This principle specifically covers conflicts involving "off-premises" coverage under fire Household Contents policies and insurance effected by bailees.

Claims filed by fire underwriters with the bailee underwriters after payment or advance to owners shall be recognized to the same extent as if directly presented by the owner through the bailee in order to fulfill the purpose of this Agreement.

Principle VIII—All other bailee-bailor conflicts between fire and inland insurance except as provided in Principle VII come under this Principle.

Where the loss on the bailor's, or customer's goods is covered under the insurance effected by the bailee, such bailee's insurance is primary.

The exception is where the bailor and bailee have expressly agreed in writing prior to the loss that

1. the risk is on the owner, or
2. the owner will effect the insurance.

Where the bailee's insurance covers his own property, as well as property of others, the bailee's insurance shall first be made available to the loss on the bailee's own property and to property not otherwise insured. Such claim or claims will be adjusted subject to all policy conditions effecting the adjustment, except that value and loss of otherwise insured property shall be deleted from the adjustment.

A second statement of loss should then be prepared by the adjuster including all values and loss covered by the terms of the bailee's insurance as written to determine the maximum liability under the policy.

Distribution should then be made

1. to the loss on the bailee's own property and to the loss on otherwise uninsured interests,
2. to the otherwise insured interests for the difference, if any, up to the maximum liability under the bailee's insurance.

While right of action under subrogation is retained by the bailors' insurers, the inclusion of the bailee underwriter's name in any action against the bailee is contrary to the spirit of this agreement.

Principle IX—Insurance effected by a bailee under a bailees' customers form shall be primary over any other insurance carried by the same named bailee even though the general contents insurance may also cover the property of others in his custody.

Insurance covering a bailee's legal liability imposed by law as distinguished from assumed liability is not within the scope of this principle.

GENERAL CONDITIONS

1. Upon the occurrence of a loss with overlapping insurance, it is essential that all provisions relating to "other" or "excess" insurance be set aside in order to apply the principle governing the situation.

2. The insurance declared to be primary under the governing principle must receive the benefit of all conditions written into that contract by the underwriter.

It is intended that co-insurance, reference to which appears in the general conditions of the agreement, shall be applied as if it were a reduced rate contribution or a reduced rate average clause.

3. The "limit of liability" rule is the most equitable basis of apportionment and has been modified in those Principles where underwriting practice required some specific handling.

4. The insurance declared to be excess under the governing principle, having been relieved of liability by reason of specific insurance, must waive inclusion of both value and loss in the adjustment of loss on any other property involved in the loss to the full extent of the primary insurance.

5. In order to apply the principle or principles governing each item or portion of applicable insurance it is necessary to provide that each item or portion be considered as though separately insured, in the absence of such provision in the policy as written.

6. This provision is to avoid the possibility of any conflict being construed under the more general principle VI when a more specific principle controls.

7. The rights of subscribers can not be prejudiced by placing an assured in funds. Recoveries can proceed thereafter under the terms of this agreement, either directly or by arbitration.

8. Should any uncertainty arise as to the application of these principles, the services of the joint arbitration committee of the National Board of Fire Underwriters and the Inland Marine Underwriters Association will be available to all subscribers to this agreement whether members of these organizations or not.

9. Upon the occurrence of overlapping insurance between "fire" and inland marine policies, the conflict will be settled under this agreement. Thereafter if two or more fire policies present a problem of apportionment under the National Board rules, adjustment will proceed in accordance with such rules among such fire interests on the amount of their liability under this agreement. Likewise if two or more inland marine policies are in conflict, adjustment will thereafter proceed between the inland interests in accordance with the inland marine agreement of guiding principles.

The new agreement takes in much more territory than the one entered into last spring by the National Board, Federation of Mutual Fire Insurance Companies, Inland Marine Underwriters Association and Mutual Marine Conference. That agreement was concerned only with losses of property in the custody of laundries and dry cleaners, involving bailees' customers policies and household furniture policies covering away from the insured's premises.

There is apparently one important difference in the procedure recommended by the new agreement and that of the old agreement on bailee losses. The new agreement states that the bailees' customers policy shall pay before insurance carried by the customer. The old bailee agreement stated that bailees' customers insurance should first be applied to property of customers who did not have available household goods insurance and that the balance, if any, should be apportioned between the bailees' customers contract and the household goods coverage of customers according to the limit of liability rule.

The difference between the two agreements will apparently apply only in cases where the bailees' customers insurance is sufficient to cover the entire loss. Under the new agreement, the household goods insurance of customers will not be called upon at all under those circumstances, while under the old agreement it would pro rate. If the bailees' customers insurance is not enough to pay the entire loss, as has happened in a number of recent laundry fires, the procedure under the new agreement seems to be about the same as under the old. While the new agreement does not mention the limit of liability rule by name, it calls for the same procedure in such cases.

Percy Chubb, 2nd, Resumes Offices

Percy Chubb, 2nd, has been reelected vice-president and a director of Federal and the affiliated Vigilant. He resigned these offices when he entered the War Shipping Administration four years ago.

EDITORIAL COMMENT

Leading the Strenuous Life

Most insurance men the past 10 years have made good money—more than they have in the past. Because their income has been larger, they have been able to accomplish more, live on a higher standard and to extend their activities. However, this prosperity has brought heavy responsibilities and burdens. Most of these men who have been highly successful do not hesitate to say that they have worked most intensively and have carried on under great nervous pressure.

War conditions have added materially to the difficulties of doing business. Assured have required greater service, their situation has been more complicated, they have taken it for granted that their insurance men will see that they are protected on all sides. They have taken work home to be handled at nights and Sundays. They have not thought of a Saturday afternoon holiday. The mental strain has been severe because these men appreciated their responsibility to their clients. There must be no error on their part. The agent had to give much thought to what he was doing.

Most insurance men who have passed through this era hope for brighter skies and they do not want to face during the next 15 years what they have undergone in the last 10.

A Champion Researcher Defines Research

In view of the rapidly increasing interest of the insurance business in the subject of research, here is an interesting and non-technical definition of research from a man who is certainly qualified to speak authoritatively, Vice-president Charles F. Kettering of General Motors:

"Research is not a thing you do in a laboratory. It is a state of mind. All it is trying to find out is what you are going to do when you cannot keep on doing what you are doing now. It has nothing to do with laboratories. It has nothing to do with science. It has nothing to do with anything of the kind. It is simply saying, 'What are we going to do if today we have to stop what we have been doing?'"

Mr. Kettering's succinct definition is helpful in clearing away a certain amount of fuzziness as to the nature and purpose of research, which is particularly likely to prevail in a business like insurance where scientific discoveries and inventions in the generally accepted sense are not a very large factor. It will not be some expert in the alloying of one metal with another who will solve the problem of fusing the numerous separate insurance coverages into a single comprehensive document.

But when research is defined as "trying to find out what you are going to do when you cannot keep on doing what you are doing now" that is language that applies to the insurance business just as much as to electronics. In fact, the language seems almost to have been made to order for a business which for two years has been living under the threat of having to make drastic changes in its methods in the event of an adverse Supreme Court decision.

Apparently to keep the definition as simple as possible, Mr. Kettering stressed the role of research as a rescue device. As practiced by General Motors and many other large corporations like General Electric and American Telephone & Telegraph, research goes much farther than trying to seek substitutes for methods or materials that some day, for one reason or another, may be no longer available. Even though they may never have to stop doing what they are doing today they are constantly seeking still better methods and materials. They take the lead in introducing improvements even though the public is getting along with the old ones.

But whether aimed at constant improvement or merely being sure of having something to sell, the scope of some of these research projects is extremely wide. In fact, anything that promises to add to the sum of human knowledge is encouraged in some of the great laboratories, for it has been found that a discovery that seems at first of only academic interest may eventually prove to be of the greatest practical value.

That is a principle that may find rough treatment in insurance research. It is difficult enough to spend money on work which promises no return immediately or even in the near future. It is still more difficult when there is a fear that independent and untrammeled research may be leading toward some practices currently considered "unsound." But if there is to be real research it cannot shut its eyes to any field of possible development on the assumption that the last word has been said.

"I JUST REMEMBERED. I FORGOT TO MAIL MY HOSPITALIZATION POLICY RENEWAL CHECK."

PERSONAL SIDE OF THE BUSINESS

Ugo E. Guerrini, general manager; Leon H. Doman, general counsel, and Fred E. Vincent, marine manager, have completed 25 years with **American Foreign Insurance Association.**

John W. Murphree, head of the John W. Murphree Co., Nashville agency, who recently was discharged from the navy, has been elected president of the Nashville Junior Chamber of Commerce.

Charles Buresh, vice-president of Fred S. James & Co., Chicago, and Mrs. Buresh have left for Bradenton, Fla., to be gone until April. They have been wintering there for the past several years.

State Senator **Ray B. Moss,** Pineville, Ky., local agent, a member of the pre-legislative committee which has been meeting in Frankfort, Ky., to frame proposed legislation, suffered two fractured ribs when he tried to tackle an intruder in his room at a Frankfort hotel, about 4 a. m.

James M. Blair of Puyallup, Wash., former president of the Washington Association of Insurance Agents and Mrs. Blair were seriously injured in an automobile accident. Mrs. Blair suffered a fractured ankle and cuts about the face. Mr. Blair sustained rib injuries and suffered from shock.

Robert McHale, formerly with St. Paul F. & M., has been discharged by the navy. He has nine battle ribbons and was cited for his part in the rescue of the crew of the "Helena." He is a son of John McHale, state agent in Minnesota of New York Underwriters.

Prof. J. Wayne Ley, who was in charge of the fire and casualty insurance educational conference at Ohio State University, and who has addressed numerous groups of insurance men, has been appointed secretary of the university's college of commerce and administration. He has been acting secretary.

DEATHS

John H. Murray, 64, local agent of Hornell, N. Y., died there after four months' illness.

Col. James P. Bates, 60, partner in the Oliphant & Bates local agency of Portland, was drowned while on a duck hunting trip on the Yamkill river, Oregon.

Stuart E. Briggs, 59, secretary of Farmers Town Cooperative of Hyde Park, N. Y., died at his home there.

John A. Fairbairn, 79, Hopuiam, Wash., local agent, died at his home from a heart attack.

E. G. Frazier, vice-president of Springfield Fire & Marine in the western department is bereaved in the death of his wife, **Mrs. Sarah E. Frazier,** in Illinois Masonic Hospital, Chicago. Mrs. Frazier was taken ill with pneumonia about a month previously, and had recovered

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but succumbed to a heart ailment. She was stricken just after Mr. Frazier had recovered from a two months' siege of sickness. The Fraziers resided at the Edgewater Beach apartments.

Mrs. Frazier's son, Lloyd Hood, is an insurance broker in Chicago.

Mrs. Sada Mariner, whose husband, William E. Mariner, was general manager of Western Adjustment until his death in 1926, died Monday at Evanston Hospital where she had been confined for the past 13 months. Funeral services are being held in Evanston Thursday afternoon. She was a native of Kentucky. In recent years she had been residing in Evanston with a daughter, Madge Mariner Campbell.

Otis C. Hay, special agent in northern and eastern Illinois for National Fire, died unexpectedly Christmas Day of a heart ailment at his home at Western Springs, Ill. Although his health had been impaired for the past year and a half he had kept on the job and the end came entirely without warning.

Mr. Hay went with National in 1921 as a farm special agent in Wisconsin. Later he was transferred to Illinois and handled recording department as well as farm work in that state. Prior to going with National he had been in the local agency business at Ellsworth, Wis. He was about 60.

Insurers Lose Tenn. Decision

Despite the fact that a property was insured as "a seasonal dwelling" when as a matter of fact it had been rented to the American Legion as a clubhouse, the insurers have been held liable by the Tennessee court of appeals to the mortgagee and two of the companies, whose agent was a Legionnaire and had taken part in activities at the clubhouse were held liable to the mortgagor as well. The case was the Third National Co., et al vs. Thompson, et al.

The Third National Co. was holder of a note secured by a mortgage trust deed on real estate and W. L. Haynes, the trustee, brought the action on three policies to recover for loss by fire. The balance due on the note was $3,200 plus interest and the policies totaled $7,000. The mortgagors had sold the land to John F. Thompson who had assumed the mortgage. The policies had been issued to Thompson with a standard mortgage clause 10 months before the fire which totally destroyed the house.

The property was on Stones river outside of Nashville and outside the area in which the Tennessee Inspection Bureau inspected buildings. It had been built and used as a summer residence but Thompson, who bought it, rented it to the American Legion. Thompson told John J. Brady that he wanted $7,000 insurance on his "camp on Stones River" and Mr. Brady issued new policies insuring the house as "a seasonal dwelling." He issued one policy in Pacific National Fire and another in National Fire & Marine and brokered a third in American Home Fire to Feigenbaum & Stern.

The chancellor found that the use of the premises as a clubhouse was more hazardous than the use specified in the policy but that Mr. Brady attended two of the entertainments and acquired knowledge of the use of the premises of the clubhouse, and that this knowledge of the agent was imputed to Pacific National and National F. & M., but not to American Home.

The chancellor decreed that each of the three companies was liable to the mortgagee for its pro rata part of the mortgage debt with interest and that Pacific National and National F. & M. were also liable to Thompson.

The insurers, in appealing, contended the chancellor should have held that the policies were void ab initio, never took effect and that no liability could arise or attach under the standard mortgage clause. The companies argued that the rider insuring the house as "occupied and to be occupied only as a seasonal dwelling" was a material part of the contract and the determining factor in fixing the amount of the premium; that the use of the premises as a clubhouse was an increase of the hazard by means within the control and knowledge of the insured, and because of the misrepresentations increasing the risks, the policies were void and the mortgage clause never went into effect.

The appellate court said it could not follow this argument. It is not claimed the mortgagee knew of the use of the house. The proof is that it did not nor is it claimed that Thompson was guilty of any bad faith. He told the agent to insure his "camp on Stones River" neither stating nor being asked to state for what the camp was being used. He told the agent that he could get the information as to the property from the policies held by the mortgagee but it does not appear that he ever saw or read the policies or knew they described the premises as "occupied and to be occupied only as a seasonal dwelling," and if he had known this it would hardly have occurred to him as an ordinary man that this made any difference in the hazard or in the premiums. It is only by construction of law that he is chargeable with this as a representation in the policies.

Policies Not Voided

But treated as a misrepresentation and a breach of the stipulation against an increase of the hazard, it did not make the policies void nor prevent their taking effect. They were merely voidable if the insurers chose to void them.

The policies, however, were voidable only as to the insured, not as to the mortgagee. This increase of the hazard was an act of the insured, not participated in or known by the mortgagee.

As to the complaint of Pacific National and National F. & M. of the action of the chancellor in holding them liable to the insured, the court expressed the belief that the evidence supports the chancellor's findings.

The court expressed the belief that the knowledge of Brady as to the use of the premises was binding on the two insurers. As to them he was not a broker, but was their general agent with authority to receive applications, issue policies, conclude binding contracts, collect and remit premiums and deliver receipts.

Maddin, Bayley & Powell, Albert Williams, Joe Brown Cummings of Nashville were attorneys for the insurance companies; Norman & Kesse, represented Thompson; W. P. Cooper, represented Third National Co., and Manier & Crouch were attorneys for Dr. and Mrs. W. W. Wilkerson, Jr., who sold the land to Thompson.

S. F. Accountants Elect

SAN FRANCISCO—Lou Fontenrose has been elected president of the Insurance Accountants Association of San Francisco and was inducted into office at the Christmas dinner. L. A. Turner, Hartford Fire, was elected vice-president and W. E. Gropius of Eby & Co., was again elected secretary-treasurer, an office he has held for many years.

The banquet was one of the largest the organization has held. It featured special entertainment numbers under the supervision of Sig Arndt of Finn, Smith & Medcraft. Gus Bell of Rathbone, King & Seeley was toastmaster. A number of company managers, assistant managers and other executives attended the dinner.

Elliott Leaves Pacific National

Ernest A. Elliott, special agent of Pacific National Fire covering the San Francisco area and as far down the coast as Monterey county, has resigned to join the agency of Conway & Culligan at San Mateo, Cal. He has been with the company since 1937. He has been treasurer of the Special Agents Association of Central-Northern California the past year.

Policies Neither Taken or Rejected Held Effective

The Massachusetts supreme judicial court held that an oral contract to renew four insurance policies was binding on the insurers, although a check for the renewal was sent the agent two days after the loss occurred, in Parkway, Inc., vs. United States Fire, et al.

Prior to Jan. 7, 1941, the Parkway concern held fire policies in Seaboard F. & M., Scottish Union, United States Fire and Empire State. Seaboard F. & M. and Scottish Union admitted liability and paid their shares of the loss on the theory that all four companies were liable. United States Fire and Empire State denied liability on the ground that their policies never took effect.

Agrees to Accept Policies

Before the policies expired, one on March 5, 1941, and the other on April 27, 1941, Goodhue, agent for the two companies which contested the claim, called upon the Parkway concern to ask if it desired to renew the policies. The concern agreed to accept them and Goodhue later sent the renewal policies. The policies were neither rejected nor cancelled. The fire loss occurred on June 4, 1941, and Parkway sent Goodhue a check for the renewal of the policies June 6, 1941. The check was returned.

The court held that there was a binding contract to issue and accept a valid insurance policy. The policies were contracted for and accepted by Parkway and did not constitute mere offers which at the time of the fire plaintiff had neither accepted nor rejected, as the insurers contended.

Countersignature Question

Empire State relied on an imperfection in its policy in that it was never countersigned by Goodhue as the authorized agent of that company. The court held, however, that since Goodhue thought he had issuer a valid policy as he intended to dc and had reported it as a valid policy to the New England Rating Bureau and to the insurer itself, the defense was based on the mere technical formality and had no merit in equity or fair dealing. The court ordered that Parkway could apply for the allowance or amendment to its bill, whereby the obligation of Empire State would be stated upon an oral contract to issue a written policy of insurance, which policy was issued but was not valid at law because by accident the countersignature of the agent was omitted. The court stated that if the second amendment was allowed within 30 days, the final decree giving relief to the plaintiff is to be affirmed. Otherwise, the final decree was to be modified by dismissing the bill as against Empire State and affirmed with costs to the plaintiff against United States Fire.

P. D. Turner and C. W. Spencer appeared for Parkway and C. W. O'Brien for the insurers.

Davis Pacific N. W. Manager

Richard N. Davis, just discharged from the coast guard, has been appointed Pacific Northwest manager of Pacific National Fire with headquarters at Portland, Ore., supervising business in Oregon, Washington, Idaho and Montana. Before entering service he was with Crum & Forster in the northwest.

Irvin Toevs, former secretary of the Newton (Kan.) Insurance Board, has received his discharge from the navy and returned to his agency, which Mrs. Toevs operated during his absence.

The **Hutchinson (Kan.) Association of Insurance Women** held its Christmas dinner party Dec. 26.

Fire Reinsurance Record in 1945 Even Worse Than Year Before

NEW YORK—The year just ending was even worse from a fire reinsurance standpoint than 1944. No professional reinsurer expects to make an underwriting profit. The aggregate loss ratio for fire reinsurance is close to 2 points higher, it is believed. The increase is not quite so high as for fire losses generally as compared with 1944, but a definite reversal of the trend is needed to bring any hope of a profit for reinsurers.

Despite this continued poor experience, reinsurance executives find no cause for self-castigation. Even with the aid of hindsight there is nothing they have done that they would not gladly do over again. The business that has produced these excessive losses came through soundly drawn treaties from good companies and is in general on high grade risks.

First Quarter Losses Fierce

Losses for the first quarter were so staggering that reinsurance executives realized by the end of March that only the most extraordinary reversal in the experience could bring an underwriting profit for the year. This, of course, did not materialize. Things eased up in the second and third quarters but by the end of September it was clear that nothing in the final quarter could do very much to alter the discouraging results of the first nine months.

Not only were war-material plants operating in many cases around the clock but were being pushed to produce far more than a 24-hour day would have produced under peace-time conditions. Even in places where goods were stored conditions were frequently an invitation to a fire to spread rapidly and destructively. Materials were piled to the ceiling, hampering the efficiency of sprinkler systems and impeding fire-fighters.

These abnormally heavy losses due to war conditions, and particularly the fire-breeding conditions in war plants and storage places, fell proportionately more heavily on reinsurers than on direct-writing companies, as these larger risks are the ones of which the direct writers cede the larger percentages. For example, a direct writing company might have 40% of its business in dwelling business but a reinsurer might have only 10% in this class.

While no section of the country has shown a greatly worse loss ratio than the others, the Pacific Coast seems to have been an especially bad area for some if not all reinsurers. Lumber risks in the northwest and warehouse risks in California seem to have been unusually troublesome. As with other areas, there seems to be no particular reason why the coast should be markedly worse than elsewhere.

Rate Cuts Have Hurt

The effort of states to hammer rates down, which has been particularly evident since the Southeastern Underwriters decision put insurance departments on their mettle to prove they were on the job, have been particularly damaging to reinsurers. Rate reductions have been the heaviest among preferred classes of risks. Rates have been pushed down when they should have been increased. Instead of the 10% surcharge of the first world war, reductions marked World War II in spite of increases in hazard due to occupancy in many factories and to deterioration in fire-fighting equipment and personnel.

The poorer quality of fire fighting during the wartime shortage of firemen and new equipment has not received much attention in the press, probably because it was realized that fire departments were doing a valiant job with what they had to do with. Nevertheless they have not been able to do as good a job as they would have with the right equipment and enough trained firemen. There have been some spectacular cases of fires gaining headway that would not have been permitted in normal times and it is obvious that there have been many more fires that got out of hand less imposing but nevertheless in the aggregate an important source of added losses.

Green Help a Factor

Employment of an inferior grade of help by employers generally during the wartime manpower shortage has helped to aggravate the loss situation. This has resulted not only in poor housekeeping and conditions conducive to fires but in some cases to unintelligent actions when fires have broken out. For example, there have been serious losses because employes unwisely tried to extinguish fires themselves instead of calling the fire department at once.

The war's end slackened the accelerated tempo of industry that was a contributing factor in keeping losses up but neither reconversion nor demobilization will have proceeded far enough by the year's end to take care of the manpower and equipment shortages and bring fire departments back to their full peace time efficiency. From a reinsurance standpoint it is extremely desirable that this be done as rapidly as possible, for further rate reductions are inevitable and the full effect of those already made is still to be felt.

Four-Year Trend

The high loss ratios that have been plaguing the fire reinsurers started about four years ago. Investigation has shown that they are not limited to any company, to any section of the country nor to any classification of losses, either by type or by size. As one executive put it, "we haven't a single treaty that we aren't glad to have or wouldn't gladly take over again."

Even more serious than the reduced rates at which reinsurers, along with the direct writing companies, are accepting business is the greatly inflated cost of making repairs. These are double or treble the pre-war level and have caused a terrific increase in settling partial losses. Even though insured may have increased their coverage somewhat to take care of higher values they rarely do so to the extent necessary to take care of these inflated repair costs.

Business Is Cyclical

In the absence of being able to cure the situation by weeding out sour treaties and taking other corrective steps, none of which are indicated in the present situation, reinsurers find some consolation in the apparent cyclical behavior of underwriting profits in the fire reinsurance field. Beginning very shortly after the first world war there was a period of about eight years somewhat similar to the present, though less severe. Then the business switched shortly to the profit side and for nearly 15 years was quite consistently in the black. Now, with four lean years behind them, the reinsurers feel that it should not be too long before they emerge again into a period of sunlight.

That the year's underwriting loss is no worse than it is is due in some measure to the efforts that reinsurance executives have been making to get commissions down after they found the way the loss trend was going. Sliding scale arrangements became still more prevalent during 1945, largely at the insistence of reinsurers. Usually, though not necessarily, this basis provides for a variation of half a point in the commission for each point in the loss ratio, subject to specified maximums and minimums.

Hard to Push Down

Before the present cycle of poor experience began, commissions had been pushed up by the normal forces of competition. Like taxes, once increased they are difficult to bring down again. The sliding scale arrangement is more complicated than the straight commission plan but under present circumstances it has often been the only way that a reinsurer could continue to pay high commissions without penalizing itself. The market for reinsurance has become progressively tighter and ceding companies have frequently had no alternative but to accept the sliding scale arrangement.

There are two schools of thought about the desirability of sliding scale commissions among direct writing companies and reinsurers. Some like it because it is automatic and tends to pay for the business more nearly on the basis of what it is worth. Others, however, do not like it. The principal objection from the ceding company's point of view is that it makes a poor showing even worse when things are going badly, a consideration which it may not feel is offset by the higher commission received in good years.

Less Reciprocity

Professional reinsurers have benefited by the fact that many reciprocal arrangements between direct writing companies have been discontinued. These swapping arrangements developed during the depression as a result of the companies' desire to maintain their premium volume. The tendency has been in recent years to discontinue reciprocal arrangements particularly if a company felt it was getting a little the worse of the deal and to increase its business from agents since there was plenty of business of this type. Though some companies may have increased their retentions the bulk of this extra business has gone to professional reinsurers in this country.

Windstorms were not much of a source of losses for reinsurance in 1945. However, reinsurers are keeping a wary eye on this hazard because of the growing amount of business written under the extended cover endorsement. They are particularly mindful of the danger of heavy losses on residences. One suggested solution is a $100 deductible as a help to reinsurers and direct-writing companies, as it is the immense number of small claims resulting in high prices being charged by contractors that boosts the losses tremendously. Repairs, particularly to roofs, have to be done quickly to forestall rain damage and it is necessary to pay just about what the repairer asks.

Catastrophe Market Stiffer

The market for catastrophe covers has continued to stiffen and rates have been boosted materially. There has also been a decided hardening of the London market for regular excess and for Carpenter plan reinsurance. There has not been any noticeable swing either to or from the Carpenter plan. The main company to decide to go over to this form of reinsurance during the year was Atlantic Mutual. The switch becomes effective at the year-end. The present is in general a bad time for a company to go over to the Carpenter plan as the rate is based on the experience of the five most recent years. Not only the rate but the loading is based on this experience so that there is a cumulative effect.

Helping to offset the unfavorable underwriting result has been the generally good investment picture for reinsurers. The rising investment market has helped the companies' surplus position. Portfolios are well diversified, running about 25% in common stocks so that even a considerable drop in the common stock market would not be too serious.

Doubtful on '46 Prospects

Reinsurance men attempting to size up 1946 underwriting prospects find the crystal ball considerably clouded. Some factors will be favorable, such as the slackening of wartime production pressure in industry, the improvement in fire-fighting personnel and equipment, and whatever progress can be made in getting commissions on a more realistic basis. On the other hand there will be continued hammering at rates. Somebody may make an underwriting profit but at present no one has any confidence that 1946 will be the year when the fire reinsurance business swings over to the profit side of the ledger.

The 1946 picture is somewhat confused by the labor situation. Also, there is some fear that if production gets into high gear there may be the same trouble from speeded-up production that there was during the war. On the other hand, 1946 increased production should result in increased values and if direct-writing companies reach their capacity additional business should flow to reinsurers.

Reinsurers are mindful of the possible heavy losses from adapting war-time products to civilian use. Magnesium, one of the troublesome new materials that caused some bad fires during the war, is not very high on the list of things to worry about, however, as its properties have been studied and ways found to control the hazard.

Reinsurers' Reaction to Titcomb Proposal Given

Reactions of reinsurance men who read of the novel proposal of W. N. Titcomb, treasurer of Springfield F. & M., entitled "A Plan for Discontinuing Reinsurance," covered a considerable range but even among those who analyzed it carefully there seems to be little concern that the plan holds any threat to the future of the reinsurance business.

Mr. Titcomb outlined his plan at the fall conference of the Insurance Accountants Association. It was summarized in the Nov. 29 issue of THE NATIONAL UNDERWRITER. Briefly, it would provide an arrangement under which companies would form an association to the central office of which they would report data on risks that they would normally share because of their size. A company having worse than the pool's average loss ratio would have the right to borrow, at interest, from members having less than the average ratio, the point being that this borrowing would rarely be necessary. However, it would constitute a safeguard

(CONTINUED ON PAGE 22)

Share Reinsurance and Various Types of Excess Cover Are Analyzed

In the second reinsurance course given by the Insurance Society of New York, James A. Cathcart, Jr., vice-president of Peerless Casualty, gave the lecture which dealt with the distinction between share reinsurance and excess reinsurance and with the various types of excess. Though using the term share reinsurance throughout his lecture to refer to this type of reinsurance, Mr. Cathcart pointed out that it is also known as participating reinsurance. The essential characteristic of share reinsurance is that the reinsurer participates in all losses, up to the policy limit, in the ratio that the reinsurance premium bears to the total premium.

Though the premium on share reinsurance is based on the premium received by the ceding company the reinsurer pays the latter a commission which is theoretically to reimburse the direct writing company for its acquisition cost, overhead, unallocated loss expenses, etc., but in actual practice it is more likely to be governed by the loss record of the reinsured business. That is, a direct writing company expects and usually gets a high commission rate for good business even though the acquisition cost on it was low and the converse is true, that is, a company cannot expect to obtain a high commission from a reinsurer just because its acquisition cost was high, if the loss record has been poor. The commission in any case, is the factor that determines the net cost of the reinsurance that is purchased.

Exceptions Abroad

An exception to this method of figuring commissions on share reinsurance prevails in the foreign marine market where the premium is pro rata of the direct writing company's premium after deducting brokerage. The commission on the reinsurance premium is then computed as a percentage of the reinsurance premium. In share reinsurance allocated loss expense and salvage are distributed proportionately between direct writer and reinsurer.

In contrast to share reinsurance, a reinsurer on the excess basis participates in losses only to the extent that they exceed a predetermined level. Thus a company purchasing $5,000 reinsurance in excess of $5,000 would pay all of any loss up to $5,000 but the excess reinsurer would pay anything in excess of $5,000 up to the maximum of $5,000. Since the liability of the excess reinsurer is much more remote than the share reinsurer it naturally receives nothing like the amount of premium. For example, an automobile liability policy has limits of $10,000/20,000 on which the gross premium is $115. The premium for $5,000/10,000 limits would be $100. If the originating company reinsured $5,000/10,000 in excess of $5,000/10,000 the reinsurer would get $15 subject to a commission allowance which would probably be between 25% and 50% of the $15 difference between $115 and $100. Though the excess limits tables are used as a guide the actual cost is determined by the commission.

Allocated Loss Expense

In respect to allocated loss expenses, the custom is for the excess reinsurer to participate in allocated loss expenses in proportion to its interest in the loss itself, not in proportion to its liability under the policy. For example, the direct writing company has a $10,000/20,000 policy of which it reinsures $5,000/10,000 in excess of $5,000/10,000. There is a $6,000 loss. The reinsurer pays one-sixth of the loss and is charged with one-sixth of the allocated loss expense.

Salvage, after deducting all expenses in connection with salvage operations, is credited to the excess reinsurers in inverse order of their priority. For example a $40,000 burglary policy is reinsured for $30,000 in excess of $10,000. There is a total loss. Private detectives are hired and spend a considerable

JAMES A. CATHCART, JR.

amount of time and money and succeed in recovering $20,000 worth of the loot. Their fees and expenses amount to $3,000. The reinsurer gets the entire net salvage of $17,000. If the salvage were greater than this it would receive the entire net amount of salvage up to the point where its loss would be wiped out. The originating company would get the remainder. One of the European insurance men taking the course stated that in marine insurance in England salvage is on a proportional basis even though the reinsurance is on an excess of loss basis.

RATE OF EXCESS

Mr. Cathcart said that excess reinsurance is used mostly in the casualty field but is used considerably in fire insurance in catastrophe covers. Share reinsurance was the original basis and still leads in premium volume. Excess reinsurance first came into being in 1880 when it began to be realized that losses in the upper limits were comparatively rare and that the originating companies in using the share basis were ceding away a needlessly large portion of their premium income. Cuthbert Heath of Lloyds decided that it would be possible to offer excess reinsurance to take care of the relatively rare shock losses. The saving in the reinsurance premium due to using the excess basis is not attractive unless the risk of total loss is small, Mr. Cathcart pointed out. For example a personal accident policy insuring only the death risk could not sensibly be reinsured on the excess basis, since the loss is either total or does not exist at all. A reinsurer which on a $10,000 policy of this type took $5,000 in excess of $5,000 could not give a lower premium than would be proper for the share basis.

Casualty lines which are usually reinsured on the excess basis are auto liability and property damage, general liability and property damage, and workmen's compensation. Accident and health and fidelity and surety are invariably reinsured on the share plan. Burglarly and boiler and machinery are some times reinsured on the excess and some times on the share basis though the tendency Mr. Cathcart said seems to be towards excess.

Fire on Share Basis

The bulk of the fire and marine reinsurance is on a share basis but most fire companies carry a form of excess against conflagrations. In inland marine insurance there is a decided tendency towards excess reinsurance.

Excess would be feasible for fidelity insurance where blanket bonds are concerned and probably the tendency to stick to share reinsurance in fidelity is just a habit.

There are a number of variations of straight excess reinsurance. Some times excess reinsurance is placed on what is called the contributing excess or "share part of excess" basis. This is customarily used where there is more than one reinsurer on the risk and the reinsurance is placed on an excess basis. For example the policy is for $1,500,000. The direct writer wants to keep $100,000 but cannot find an excess underwriter willing to take the entire $1,400,000 excess. However, he is able to find two reinsurers willing to take $700,000 each. These two reinsurers then split the premium and participate equally in losses. Some times it is simpler to use the contributing share basis rather than trying to place an excess cover with a second reinsurer over the excess carried by a first reinsurer, as the second reinsurer is likely to find its premium so small as not to be interesting.

"Stepladder" Excess

Another variant is "stepladder excess," also known as laminated excess or layer cake excess. The reinsurance is placed on an excess basis but the originating company comes back in for a participa-

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Casualty Reinsurance Profit Not Quite up to '44 Level; Record Good; Auto Line Poor

The casualty reinsurance business is winding up a highly satisfactory year, though it has not been quite so good as 1944. Chief reason for the less favorable experience is the high claim frequency and loss cost on automobile bodily injury and property damage. Private cars, public conveyances and commercial cars have all shown a bad experience for reinsurers, though the buses and trucks have been worse than private passenger cars.

Outside of automobile, the situation has been excellent, although in the latter part of the year there were some shock losses in the non-automobile liability field, while there were also during the year heavy losses due to boiler explosions and boiler and machinery use and occupancy losses.

Appleton Rule Relaxed

A development of interest to reinsurers, particularly those in the casualty business, came close to the year's end. This was the New York department's action in relaxing the so-called Appleton rule to the extent of permitting a casualty company not domiciled in New York state to write the personal property floater in those states which permit it. The Appleton rule, embodied in the New York insurance laws, prohibits any company from writing any class of business anywhere which a New York domiciled company is not permitted to transact.

The department's action is regarded as a possible first step in permitting multiple line underwriting, though nearly all direct writing fire and casualty companies outside of New York state are opposed to such a step. If casualty companies outside of New York state are to be permitted to write the personal property floater a logical next step may very well be to permit them to write full coverage automobile and full coverage aviation policies. Another logical step might be for New York casualty companies to petition the legislature to rescind the Appleton rule, since the department's recent ruling places New York domiciled casualty companies at a disadvantage in those states where out-of-state competitors are permitted to write the personal property floater and other coverages on which the department may take a like action. This would permit casualty companies to reinsure lines now exclusively ceded to fire reinsurers, and vice-versa.

Would Increase Domestic Market

Cross-reinsurance, as it is called, would greatly increase the capacity of the domestic reinsurance market. At least one casualty company is interested in writing fire and windstorm catastrophe covers and would presumably do so if the laws were amended to make this possible.

Relaxation of the ban against multiple line underwriting would be of great importance to reinsurers wishing to obtain business from Canada, Mexico and South America. Direct-writing insurers in those areas write all classes of risks and a reinsurer which can offer only casualty or fire facilities, but not both, is at a disadvantage. The New York department recognized this and attempted to correct the situation last year with a bill designed to permit cross-reinsurance outside of the United States but the measure fell by the wayside along with a number of other department bills.

Confuses N. Y. Reinsurers

Incidentally, while the department's relaxation of the Appleton rule in the case of personal property floaters may eventually benefit casualty reinsurers, its immediate effect is to cause some confusion with respect to the reinsurance assumed by New York domiciled companies from out-of-state casualty companies writing the P.P.F. coverage. Since New York casualty companies are not empowered to write non-casualty risks the question has been raised as to whether they are permitted to reinsure the fire, windstorm, etc., perils covered by the P.P.F.

RECORD ANALYZED

To return to the 1945 experience of casualty reinsurers on the various lines, the bad experience on automobile business has been due to causes which have been frequently aired in connection with the experience of direct writing companies. These are the worn-out condition of vehicles, the lack of experience and aptitude of many bus and truck drivers because of the manpower shortage, the high cost of repairs, and the constantly increasing size of verdicts in bodily injury claims. These verdicts tend to be based on artificially inflated earning power. If new cars are held off the market for any great length of time the automobile experience is likely to be much worse for reinsurers.

Personal accident business has been very favorable, continuing the record of recent years. This is partly due to the country's generally prosperous condition, which causes most policyholders to prefer to keep on working rather than staying away from work for a minor accident and if laid up to get back on the job as quickly as their condition permits. Another very important factor in the good accident experience is that companies are reaping the benefit of revisions made a decade ago which eliminated some of the features that were bad loss producers for reinsurers. For example, the old provision giving life indemnity if the insured was totally and permanently prevented from carrying on the duties of his "own occupation" enabled many claimants to take life easy at the insurance company's expense even though they were perfectly capable of making a living in some other comparable line of work. Reinsurance experience on health has not been too bad though it is still nowhere near as favorable as accident.

Burglary Experience Good

Burglary experience continued good through the year although there has been a steady rise in loss ratios. It is expected that this trend will continue though there is little fear of the burglary lines going into the red in 1946 unless the expected crime wave is extremely bad. There were some heavy losses in the final quarter of the year, mostly holdups, and one recent extremely large loss under the open stock coverage. The multiplicity of small losses, largely due to the mysterious disappearance feature under the outside theft coverage of residence burglary policies, has not bothered the reinsurers. Burglary business, like most casualty reinsurance, is on an excess of loss basis and these mysterious disappearance cases rarely are big enough to exceed the direct writing company's limit.

Workmen's compensation experience has not been bad. There has been little trouble with reopened cases, despite widespread fears in the casualty business generally that wholesale layoffs by war plants would result in multitudes of workmen suddenly discovering old injuries that hadn't worried them when they were making huge wartime wages. There is considerable hope that these early fears about reopened cases may have been overdrawn.

High Compensation Benefits

One feature of compensation reinsurance that is being watched is the extremely high benefits paid under the laws of some states, notably New York and California. It is not uncommon for a case to cost upwards of $25,000 in New York in case of total and permanent disability where there are dependents and high medical costs for specialists, treatments, hospitalization, etc. The extent to which an injured workman can obtain compensation for medical treatments gives him the benefit of expert medical attention that even a person of fairly substantial means could hardly afford if he were paying for it personally.

Despite evidence of a growing crime wave, fidelity business continues to be favorable. Some heavy losses are coming to light, while the future is uncertain because of rate cuts made during the year by the Towner Rating Bureau companies and the independents. Because so many companies introduced the three-year term plan for fidelity, 1945 results will show an enormous increase in premiums written with a corresponding artificial decrease next year.

(CONTINUED ON PAGE 22)

British Insurance Prospects

Labor Government No Menace to Freedom of Action

By W. JUUL

It is with the greatest pleasure that we accept your invitation to give your readers a few observations on the position and prospects of British insurance and reinsurance under a Labor government. The election of last July for the first time in history, gave labor a clear majority in the House of Commons and an undisputed mandate from the electorate for a limited program of nationalization and social reform.

For all the glamor that surrounds the forceful personality of Winston Churchill, perhaps the greatest war leader England has ever seen, he just failed to persuade the electorate that he could carry with him the right wing of the Conservative party in a bold program of social reconstruction

Mr. Juul, foreign editor of the "Review" of London, upon invitation wrote this article for the Reinsurance Edition.

Labor won the election on the basis of a pamphlet: "Let us face the future" in which it had laid down its program for the five years this Parliment will normally last. The bill for nationalization of the Bank of England has already been presented to Parliment and has met with little opposition. It merely legalizes an already de facto position in the relationship between the Treasury and the "Old Lady of Threadneedle Street".

Other Chief Planks

The other chief planks in the labor program are: State ownership of the fuel and power industries (in the first place of the coal mines) and public ownership of inland transport, and later of the iron and steel industries. Next comes public supervision of monopolies and cartels, a firm and clear-cut program for the export trade, the adoption of suitable economic and price controls and a better organization of government departments. The introduction of new social insurance laws modeled on the Beveridge plan will be speeded up. This latter, however, is largely an agreed measure which was taken out of party politics and appeared on the election of all major political parties.

A national investment board will be set up which will determine social priorities and promote better timing of private investments. The labor party also promises a sound agricultural policy, improved educational and recreational facilities, and a state medical service. This may sound a formidable socialist program to our American friends, with their strong reliance on private enterprise, but over here it seems to the detached mind no more than a very moderate experimental program which had to be tried out sooner or later and which, in the judgment of the electorate or at any rate, practically half of it, had better be tried out now. Reform there must be—on that all agree; the controversy rises solely over the issue of private versus public ownership.

We have studied with interest the published American insurance reactions to the news of the overthrow of the Churchill government. It should, however, by now be clear to our American friends that British insurance is definitely not worried at the advent of a labor government. In the first place the leading men are trained parliamentarians, used, during five years of coalition government, to speaking for England and not merely for the party. Secondly, British insurance stands unchallenged as one of the greatest assets of the British nation, an asset the value of which has been publicly recognized also by the present labor government. British insurance has been a pioneer in most countries in the world and, for all restrictive legislation the world over, it is still holding an honored position, not the least in the United States.

The prestige of British insurance—and reinsurance—stands so high that no British government would lightly do anything which in the slightest degree would hamper its freedom of action. The companies have always been proud of their claims-paying record and during the war, and also today under the labor government, the Bank of England has always placed at the disposal of the insurance companies whatever foreign currencies might be required to pay claims abroad, or even in exceptional cases, in the middle of the war, to invest in shares of foreign insurance companies.

That the policy of non-interference in

the internal affairs of British insurance companies continues to be the policy of the labor government was brought out clearly by Sir Stafford Cripps, president of the Board of Trade, during the debate in the House of Commons on the assurance companies' bill. It is to the credit of the labor government that in the middle of its big social program it has found the time to introduce this bill, which has been desired by responsible insurance interests for many years. Its main purpose is to guard against a recurrence of the untoward events of the interregnum between the two world wars, when some marine, and later some motor, insurance companies collapsed owing to unsound underwriting methods. It is not in the best interest of British insurance that such things should happen, even though the failures in their repercussions are largely internal affairs.

Some astute negotiations evidently preceded the preparation of this bill, which removes one of the obstacles to liberal insurance-trading, namely, the £20,000 deposit with the Board of Trade. On the satisfaction of a very modest solvency test, the companies will get their deposits back. It is felt strongly over here that in this bill the British Government has given a strong lead to the world in freeing insurance from any restrictions whatever, which should go a long way towards removing any lurking fears of any "sinister" intentions towards insurance.

Solvency Test Is Simple

The solvency test is very simple. It consists in a requirement of a minimum paid-up share capital of £50,000 or 10% of the last year's premium income, apart from long-term business, whichever is the larger. The companies are thus required to maintain a policyholders' surplus-capital and free general reserves—of anything up to £1 million ($4,000,000) or more in the case of the biggest companies, if they do not want to continue with their deposits.

By way of comparison it may be recalled that the American committee on multiple underwriting, over which John A. Diemand, president of North America, presided last year, rcommended a policyholders' surplus of $1½ million as a condition for extended multiple insurance powers. We are not unhopeful in this country that through the assurance companies act and American legislation for multiple line powers, a strong lead may be given to the world, which, besides, will increase the flexibility and high standard of service for which our companies are already reputed.

Speaking in the House of Commons, Sir Stafford Cripps said that now that the ordinary business of insurance was being resumed in the international field, it was of the utmost importance that the bill should be passed because it has as its main object to make as certain as possible the financial credit of British insurance. He went on to say that the main purpose was to underline the stability and security of the British insurance market, not only for the benefit of our English policyholders but also to those to whom we give this service throughout the world. Perhaps it is worth while quoting literally Sir Stafford's statement of the intentions of the labor government towards the future of British insurance interests.

Words of Sir Stafford

Sir Stafford said categorically: "The government has no intention of interfering with the transaction of insurance business by private enterprise save to the limited extent to which insurance at home may be affected by the existing proposals relating to personal social insurance and industrial injuries. It is the desire of the government that insurance should be, in the future as in the past, dealt with on an international basis, as a business of an international character. . . . The world-wide reputation of our insurance market stands very high and the soundness of British companies and of Lloyd's are the basis upon which that business has prospered in the past." Towards the end of his speech Sir Stafford stressed the close relations that exist between the Board of Trade and the insurance companies, which would be continued in the administration of the bill by means of a continuous consultation.

Another happy illustration of the spirit of confidence and trust that exists beween the labor government and the insurance companies is the voluntary setting up by motor insurance companies of a fund to cover motor third-party awards irrecoverable from the negligent third-party or his insurer. No new bill will be required for that purpose as the companies, in negotiations with the minister of war transport, have agreed to set up such a fund. This will close many of the loopholes in the road traffic acts. For instance, injured third parties or their dependents who have got judgment against an assured who is unable to pay will now be able to call on the fund should the third party insurance policy be void owing to breach of some warranty or for other reasons. The companies even agree to give sympathetic consideration to claims arising out of accidents for which an unknown motorist is responsible, as long as there is a strong presumption that a motor vehicle was the cause of the accident.

Perhaps it should be stressed that the national investment board, which the labor government plans to set up, will not affect the freedom of British insurance companies to invest their funds. Investments, in the sense of the board, relates rather to plans for industrial development, etc., where owing to shortage of labor, raw materials, or other factors, it may from a national point of view be desirable that some order of priority should be assigned.

With the clarification of the attitude of the labor government to British insurance, the companies and Lloyd's are at the moment very busy, partly in settling claims which were left unpaid when the events of war interrupted business relations, and partly in rebuilding their business in Europe and the Far East. Broadly speaking, it may be taken as authoritative that British insurance and reinsurance has placed its unrivaled facilities at the disposal of war-torn Europe and is willing to re-enter Europe—Germany apart.

Goodwill Missions

Goodwill missions of prominent British insurers and reinsurers have already visited a number of countries and done the initial spade work. They have everywhere been received cordially, as have the numerous continental visitors who have visited our shores. The services of the British companies are at disposal but it would not be in the tradition of rugged British individualism to let ourselves be dictated to as to the manner in which we may conduct our business abroad. The position in Europe is being complicated by the fact that, the Northern and the Low Countries apart, the old order of things is dead in most of the liberated countries, and that new constitutions have first to be framed and general elections held before the position becomes clarified. It is, however, extremely gratifying to British insurance and reinsurance to recall that no treaties were canceled even during the darkest days of Dunkirk. Now the continent of Europe is being reopened to British companies it is being found that many continental companies, loath to exchange their British reinsurers for German reinsurers, under the very nose of the Germans continued their reinsurance treaties with British companies on the strength of the balances they held belonging to British companies. In cases they have been able to say now to their British reinsurers: "Well, here are your accounts for the war years."

Both the British companies and Lloyds have recognized such treaties in memoranda which have recently been issued stating the guiding principles on which insurance and reinsurance in countries that technically became enemies will be finally settled. From correspondence with foreign insurers we know that this gesture of the British companies has been greatly appreciated and has helped to get relations back into their old channels.

Possibilities in Reinsurance

With the virtual elimination of German insurance from world markets, there are great possibilities in reinsurance not only for the big British insurance companies, which are perhaps after all the greatest reinsurance carriers in the world, but also for the British professional reinsurance market. This market has stood up remarkably well to the test of war. Thanks to higher insurance values and increased business from the British commonwealth, and other markets left open to it during the war, the companies start post-war business with

(CONTINUED ON PAGE 23)

U. S. Reinsurance Man Gives Views of London Market

By JOHN N. GILBERT
President Holborn Agency Corp., New York City

During my visit to London in October and November, 1945, at least half of my business hours were occupied in trying to find hotel accommodations as the situation is far worse than in the United States and I had to move five times due to the limit of time a guest is permitted to stay. My time was also largely occupied in arranging transportation back to the United States, as apart from the return of soldiers and the dock strikes, the transferring of large ships to far western runs and the change of air lines from flying boats to land planes created an absolute bottleneck and a completely chaotic condition. I finally did fly back but on a bomber stopping at all unexpected places and finally making an emergency landing in the most unexpected place of all, Burlington, Vermont. However, apart from the normal transaction of business, I was able to form an opinion of general conditions in the London reinsurance and insurance markets which I will comment on although these impressions may be faulty and in some cases entirely incorrect as in most part they deal with matters and countries outside the scope of my own personal business activities.

John N. Gilbert

Regain Business Quickly

It appears that London will continue to be the insurance center it has always been and that companies and underwriters in spite of many changes will quickly regain business in countries where all transactions had been stopped during the war. London insurance men do not appear to be flocking over to the continent as one might expect. In the first place they are all plenty tired after the everyday strain of five years of war conditions which have certainly been grim and a terrible ordeal for everybody and simply cannot be compared to any hardships suffered over here. Secondly, I am told that visiting most parts of the continent as a civilian is a terrible ordeal and moreover as demobilization in England is so slow all offices are suffering from a great shortage of key men which puts additional strain on the top executives. Also they have only just been able to arrange for the return to the home offices of the members of their staffs who were located in the country during the war, which has naturally required a very considerable amount of readjustment.

One of the reasons for the acute shortage in hotel accommodations is the number of business men from the continent, and other countries who are constantly visiting London, among which are many insurance men anxious to reopen connections and start normal business transactions again. It appears that in the countries occupied by the Germans the insurance business was not interfered with as much as might have been expected and that agencies and branches in a great many cases were able to maintain their structure and can now start normal transactions without too much difficulty. Apparently the reason that some semblance of normal insurance business and reinsurance with countries other than Germany was permitted during the occupation was because the Germans had many other more pressing problems and did not get around to taking everything over which was not due in any way to any lack of desire on their part to plunder.

Companies and underwriters are, however, going very slow on opening again in places where the experience before the war had been constantly poor and are taking this excellent opportunity of reopening on a basis which they consider sound. As regards the continent there are many political and financial problems but in spite of any pressing difficulties Britain may now be experiencing with dollar credit, etc., sterling capacity in respect to insurance from all the other countries, is much sought after.

Situation in France

During my visit some difficulties were apparently being experienced in France, as the French authorities were putting up various restrictions in respect to the export of insurance and for a few days I believe suspended all export of premiums. However, I cannot remember the details and moreover this was at a time when the French were voting for their new constitution and everything is probably being fairly well worked out by now. In the Scandinavian countries, Holland, Belgium and many other countries insurance relations with the London market seemed to be developing along the same basis as in pre-war days.

As respects Germany, I heard a few influential men, whose offices had previously transacted large volumes of business, say that they had no intention of ever doing business with the Germans again or supporting German companies by way of reinsurance treaties. However, that was probably largely due to a general and personal disgust with Germany as a nation during and before the war. If and when she gets back to some semblance of national order that attitude may change but I should imagine apart from sentiment it will be many years before a sufficient semblance of stability exists to interest London or other nondomestic insurance offices.

Fear Loss Ratio in U. S.

Regarding London insurance men's attitude toward their United States business, they are very anxious to maintain this business although they are naturally concerned over the present high loss ratio. However, they are optimistic that this will be corrected in the course of the next two or three years. Moreover, with world business increasing as it is bound to, their "book" will not be as heavy percentagewise with United States business, with a consequently better balance for those who consider insurance and reinsurance from a world-wide viewpoint.

Regarding the attitude toward the labor government in England, business men do not appear to be especially agitated although I imagine a large majority of them would have preferred to have seen the conservatives elected, but they do, however, look upon this more as a political rather than a permanent situation and that a more liberal and less class conscious conservative party will stand as good a chance of a majority in a few years as the labor party which is having to explain constantly that its platform promises cannot be put into effect as soon as people thought would be the case before the election. I am referring largely to domestic reforms, housing shortages, etc.

Business men are deeply concerned over any suggested attempt to nationalize other than purely domestic utilities. However, respecting insurance, there doesn't seem to be the slightest suggestion that any nationalizing program is contemplated. I believe nationalization of other industries, if such properties are not insured, and the elimination of such classes as workmen's compensation, would cut into the domestic premium income. This has, I believe, always been generally profitable although here again I believe it is only a small part of the market's volume. However, as always, the government is most cooperative in assisting companies and brokers to maintain and double their commonwealth and foreign business generally. For example, the Board of Trade, which combines many of the functions of various our state and federal departments here, has a special little department assisting in arranging priorities for foreign travel of insurance executives both as respects sea and air transportation.

Speaking entirely impartially, it is my firm opinion that those who might feel that British insurance will rapidly decline because of changed world conditions, from a temporary shortage of foreign credits, etc., are mistaken, at least for as many years as one can reasonably

(CONTINUED ON PAGE 23)

Analyzes Share and Excess Covers

(CONTINUED FROM PAGE 16)

tion at certain levels in addition to its underlying retention. For example the originating company has a $40,000 risk. It keeps $10,000 and reinsures the next $20,000 of excess and then comes back for the last $10,000 itself. This form is not to be recommended particularly as the saving in premium is trifling. One place that it is used is in the workmen's compensation reinsurance bureau on occupational disease claims.

Whereas most excess reinsurance applies in excess of a specified amount on any one accident or disaster or other specified occurrence there is also a form of excess known as aggregate excess under which the originating company collects from the reinsurer only in case losses exceed a stipulated figure during the policy period. Its use is restricted as a rule to insurance where the policy itself has an aggregate limit, such as malpractice insurance or product liability and certain forms of general property damage liability.

NEED QUESTIONABLE

The need for such coverage is highly questionable, it is not especially desirable to the reinsurer and there is not a very wide market for it, said Mr. Cathcart. Where it is obtained it will invariably be found that the originating company participates to some extent in the excess losses.

The history of aggregate excess is based on a fallacy, Mr. Cathcart said. The original property damage policies had limits like the present automobile policy, $5,000 or $10,000 as respects any one accident. However, there was no bar on the insured's recovery if there should be an accident under the policy the next day and so on for the entire policy period. Nevertheless, direct writing companies felt no need of reinsurance except in excess of $5,000 or $10,000 per accident.

Policies Were Changed

About 10 or 15 years ago some of these forms of policies were changed to provide that there would not only be a limit per accident but that the total amount recoverable under the policy would be subject to an aggregate in any policy year of a specified amount, say $100,000. As soon as the underwriters noticed this very high aggregate limit they began to get worried, though previously they had been entirely serene though their liability was not limited and could have theoretically run far in excess of $100,000, during the year.

This psychological reaction resulted in quite a demand for reinsurance. Most reinsurance underwriters succeeded in convincing the direct writing companies that this was not needed. One reason why such reinsurance is undesirable from the reinsurer's standpoint is that if there is for example an aggregate limit of $100,000 and the originating company has reinsured everything in excess of $20,000 for the policy year and there is also a limit per accident of $20,000 the ceding company, in the event the $20,000 loss figure is reached in the first few months of the year, has no further pecuniary interest in the risk and has no pecuniary inducement to look after safety measures or to be conservative on claim settlements. Even if the ceding company should be convinced that the risk is undesirable its financial interest would be to keep the risk rather than cancelling, for in the latter event it would have to give a return premium to the policyholder.

Loss Ratio Excess

Under a type of reinsurance known as loss ratio excess, which is not used often, the reinsurance guarantees that the loss ratio on a specified policy or class of business will not exceed a certain percentage. The reinsurer agrees to reimburse the direct writer to the extent that the losses exceed the specified percntage. Sometimes this type of reinsurance is on an individual policy basis but usually it is on a class of business or on all risks. The cost is relatively high as the reinsurer assumes all or part of the risk which is the normal function of the insurer to bear. If the insurer is unwilling to assume this risk then the reinsurer is also unwilling to accept it except on a very high rate basis.

In fire insurance, loss ratio excess is generally restricted to hail insurance, for it is sometimes hard to say if damage to a crop occurred in one storm or in a series of storms.

Another form of reinsurance, partaking of the nature of both share and excess reinsurance, is "total loss only" reinsurance which is used only in the marine business. Some times a marine insurer will reinsure against total loss only. The reinsurance is placed on a share basis but with the proviso that the reinsurer's liability attaches only in the event of total loss. Naturally there is a heavy discount from the ratable share of the premium.

SPREAD LOSS PLAN

The last type of excess reinsurance discussed by Mr. Cathcart was the spread loss plan, also known as the burning cost plan. In essence it is a long term arrangement providing excess reinsurance coverage on a cost-plus basis, subject to stated minimum and maximum rates. It is confined to fire insurance, with scattering exceptions. Only two or three casualty companies make use of it. Liability is only on an excess basis and only after a stated loss in respect to any one disaster.

Among fire companies the usual retention is $5,000 to $10,000 for any one disaster. The reinsurer's maximum liability per disaster would probably not exceed $150,000 and is generally $100,000. It is customary to require the ceding company to carry a small participation in the excess. Spread loss reinsurance is always on a long term basis, generally five years, sometimes three years. The cancellation clauses are of different types but ordinarily may not be invoked except under circumstances very unlikely to arise. Thus the contract is practically non-cancellable.

Liability Under Plan

Liability of the reinsurer under the spread loss plan applies to disasters occurring during the period of the reinsurance contract regardless of the effective dates of the policies reinsured.

In deciding what premium it wants the reinsuring company considers the past experience of the direct writing company, on the theory that it is reasonable to assume that it will be duplicated in the future, not only as respects normal risks but of excess losses as well, provided that a long enough period is considered. The reinsurer asks itself, "had the proposed reinsurance contract been in force for the last five years, what percentage of the originating company's premiums would I have needed to pay the excess losses, my overhead, and leave me a reasonable margin of profit?"

The rate for the first year is given in the following formula:

$$\text{Rate} = \frac{A}{B} \times \frac{100}{60}$$

Formula Explained

In this formula A is the excess losses that would have been recoverable under the contract, and B is the premium income of the ceding company. Some times the fraction will be 100 over 70 instead of 100 over 60. The rate applies only to the first year and is subject to adjustment at the end of the first year.

The rate for the second and subsequent years is based on the last year's experience and that of the next preceding four years. The rate is always based on the experience of the most recent five years, subject to certain maximum and minimum rates specified in the contract. For example the rate for the first year might be 5% and if so the maximum might be 10% and the minimum 2%. Some contracts have been made where the first year rate was 15% with a minimum of 10% and maximum of 30%.

Reaction of Reinsurers to Titcomb's Proposal

(CONTINUED FROM PAGE 15)

to fall back on if needed, giving a company with a bad run of luck sufficient time to even out the fluctuations in its loss experience.

The main object of the arrangement, according to Mr. Titcomb, would be to save expenses, particularly the business that is swapped by companies one with another. The exchange of this reinsurance, he said, has cost the companies more than 5% of their net premiums for expenses, though it is impossible to determine from insurance charts or publications or insurance department reports what the actual cost is and it is doubtful if any company knows or can definitely determine from its records the outlay for its reinsurance transactions.

Among the more considered comments on Mr. Titcomb's proposal are the following:

1. The amount of data that would have to be turned in to the central office of the association would involve almost as much work as the reinsurance transactions that it would replace. Under Mr. Titcomb's plan it would still be necessary to report, either by punched cards or bordereaux, the following information: In respect to premiums, policy number, agency, state, city or town, class, commencement, expiration, amount, premium and rate of commission; in respect to cancellations and endorsements, the additional and return premiums, though it would not be necessary to report in detail; in regard to losses and salvage, the claim number, policy number, date of loss, date paid, amount of loss or salvage, and amount of net loss to the company. The reporting of details for losses would be only for the purpose of verifying any large losses. It would not be necessary to verify additional and return premiums.

Not True Reinsurance

2. Aside from any saving in expense over the normal method of handling reinsurance transactions, the plan is nothing more than an arrangement to permit companies with worse than average loss ratios to borrow from those with better than average ratios. Each company pays its losses eventually. In this respect it is like the spread-loss plan except that there is no top limit on a company's loss ratio, such as is provided by the spread-loss plan's maximum rate feature. Also the comparison favors the spread-loss plan in regard to the ceding company's expenses, since data on individual risks do not have to be transmitted under the spread-loss arrangement.

On the other hand, of course, the loss insurer gets the full benefit of its low loss ratio under Mr. Titcomb's plan from anything corresponding to the minimum rate of the spread-loss plan. Then too, the ceding company's business is supposed to provide a profit to the spread-loss reinsurer, while the central office expense would be the only outside cost under Mr. Titcomb's proposal.

3. Though Mr. Titcomb says, "If it were not for the fear of over-lining and incurring heavy losses on individual risks or conflagrations, companies could discontinue reinsurance entirely," there are additional reasons for carrying reinsurance. One of these is to assure itself of getting a desirable spread of risks, well diversified as to locality and kind. Without reinsurance a company might find itself hard hit because a disproportionately large share of its business had come from certain classes of enterprise, or certain sections of the country, where special conditions were causing bad experience. Through reinsurance it can make sure of having a balanced portfolio.

Difficult to Adjust

4. Mr. Titcomb says that the only manner in which an association such as he describes could be successfully operated would be by establishing the proper safeguards and consummating some arrangement whereby each company may cede the same amount of premiums as it receives at a loss ratio not in excess of the ratio on its ceded business, with provisions for some adjustment of loss ratios on businesses ceded over a five-year period, and with further recognition of the difference in the amount of business ceded in relation to the total gross premiums of the ceding company. This might be a more difficult matter to adjust than Mr. Titcomb indicates.

5. Mr. Titcomb says that "it is undoubtedly true that companies 'shuffle' back and forth from 20% to 25% of their business without any direct advantage to themselves except as a service to agents and assured." But isn't service to agents and assured one of the primary reasons why companies are in business?

6. Mr. Titcomb says: "Proceeding from an upright and high-minded motive, an association of companies for the exchange of excess lines for the common benefit of all with no selfish desire for profit would be ideal." Yet could not the same argument be used by insured to form their own mutual or reciprocal insurers?

Casualty Reinsurance Profit Down a Little

(CONTINUED FROM PAGE 18)

Surety business shrunk to a low point in volume because of the completion of government contracts and the virtual cessation of building but the experience has not been unfavorable and reinsurers look forward to a big volume of business for 1946 if industry, especially building, gets into production.

Experience on boiler business has been fairly good although the volume is small. On machinery, the loss ratios are less favorable but again the volume is too small to have any great effect on a company's results for the year.

PRODUCTS P. D.

Casualty reinsurers have noted during the year a continued rise in the size and frequency of claims involving property damage liability under products liability policies. For example, claim is made against a manufacturer because a defective part in a machine purchased from him lets go and damages the machine itself and perhaps other objects nearby. There has been a growing tendency to hold manufacturers responsible for this type of accident and consequently a more pronounced trend toward purchasing the necessary coverage where there is any danger of such claims being made.

General public liability has shown a favorable experience for reinsurers, continuing the record of recent years.

Aviation is attracting the attention of reinsurers because of the possibility of greatly expanded private flying. Of particular interest is the apparent trend toward the single-limit liability policy, which, it is felt, may be the solution of the capacity problem. This type of policy provides a single stated amount of coverage which may be applied against any of the perils covered, whether passenger liability, public liability, or property damage.

The capacity problem arises because the insuring of private planes for liabil-

ity has followed the commercial airlines' practice, which is to have a passenger liability limit per seat, another limit for public liability covering persons other than passengers, and still another limit for property damage. In line with this, the owner of a six-passenger plane might want $50,000 per seat passenger liability, plus $100,000 public liability and $100,000 property damage or a total of $500,000, with perhaps $10,000 a seat additional of admitted liability for passengers. This system is complicated for the agent to explain and difficult for the insured to understand. The high limits are unrealistic as compared with the actual possibilities, for if the underwriters thought along such lines they would have to charge much higher rates.

With the single limit policy there can be a substantially lower limit, yet the entire amount is available for whatever claims are made. For example, a plane owner with $20,000 a seat passenger liability might find himself underinsured if he had an accident which killed two passengers whereas if he had a single limit policy of $100,000 it would probably be sufficient to take care of both claims.

Big Planes a Problem

While there is at present sufficient reinsurance capacity for passenger airliners, the reinsurance market is facing the possibility of a demand for limits of $5 million and even $10 million on big planes that will be in use before long. It is doubtful if there is sufficient world capacity to provide enough coverage, since the present maximum is about $3 million. The airlines are insured in the aviation pools which place their liability reinsurance direct with Lloyds rather than through the American professional reinsurance market. One possibility in this connection is that the general legalization of cross-reinsurance would provide additional capacity in the American reinsurance market to help take care of these huge commercial liners' liability coverage.

Reinsurers are not disposed to find fault with the quality of underwriting on the part of their ceding companies despite the manpower shortage and the generally disturbed conditions resulting from the war. There has been no general laxity but a definite effort to be conscientious.

As for 1946, reinsurance executives feel that the answer depends very largely on the success of business and industry in clearing up their labor problems and getting back into production. New automobiles, buses and trucks will help keep accidents from happening. Besides increasing the market for all types of insurance with consequently greater volume of premiums for reinsurers, a high level of prosperity should prevent the dreaded crime wave with its effect on the burglary and holdup loss ratios, while preventing any tendency to malinger which would hurt accident-health and compensation experience. Business prosperity should bring a great revival of building of all types, including road construction, with the consequent demand for contract bonds. Reinsurance depends for its prosperity on direct business and this in turn depends on the degree of business prosperity. Consequently reinsurance men are hopeful that the eagerly awaited reconversion will not be too long delayed.

British Labor Government No Menace to Insurance

(CONTINUED FROM PAGE 20)

a higher premium income than before the war and in a stronger financial position. They are able to claim part of the inheritance of German reinsurance, although with traditional British conservatism their expansion on the continent will be limited by the quality of the business on offer and the requirements as to building up underwriting reserves for the new business. They are, however, already able to report the return of substantial slices of their old business. That applies as far as reinsurance is concerned also to the big British companies which are well on the way to recovering their lost market and which have also begun ceding business to former reinsurers abroad, possibly not to quite the same extent as before but with a keen eye to possibilities of reciprocity. Direct business may be more slow in developing as some of their old business on the continent was transferred to local companies during the occupation.

In principle this business is being returned but the last word rests with the individual policyholders who may for the time being be quite satisfied with their new cover. There may also be a question of having to put up new deposits for a business that may not assume prewar proportions immediately. For this reason, and in view of the generally unsettled conditions in many parts of the continent, British insurers and reinsurers would, to quote one of our friends rather "Pack their bags and go west," as evidenced by the British goodwill mission to Canada and the United States. It should, however, be strongly emphasized that British insurance and reinsurance services are at the command of the continent of Europe when wanted. That applies to all branches, fire, marine and casualty, and even to a limited extent to life assurance, a branch in which at least one company is resuming work in France.

International Insurance Obstacles

Apart from the constitutional issues, which at the moment obscure the position on the continent, the nationalization tendencies also create fresh obstacles to international insurance and reinsurance activities. The position is perhaps the more acute in French marine insurance. With a view to creating a permanent French marine insurance market, the provisional government early in 1945 perpetuated the provisional organization of French marine insurance and reinsurance, apparently without consultation with French insurance leaders. Permission to transact marine business in France is now limited to companies authorized to work there and they must reinsure with a pool, to which all major French companies must belong and which is open to certain other French companies. The business is under severe state control as to premium rates, policy conditions including treaty conditions. The news of that pool has been received with mixed feelings in this country which before the war gave such great service to French marine insurance. It may be that the situation may ultimately remedy itself, perhaps by the formation of one or more new French marine insurance and reinsurance companies to take the businss out of the realm of state control. There again much will depend upon the ultimate constitution of the Fourth French Republic.

Czechoslovak Visitors

In Czechoslovakia, where no British companies operated directly before the war, but with which this country has had strong reinsurance relations for many years, the entire insurance business has been nationalized by a decree issued by President Benesh Oct. 24, 1945. Under the decree all insurance companies became national institutions with the sole exception of First Bohemian Reinsurance Bank, which, owing to its strong international position, is left entirely outside the nationalized schemes. It is, however, strongly stressed that the nationalized insurance companies will continue to work on a profit-making basis as self-governing institutions able to make their own reinsurance arrangements at home or abroad. Some concentration of the market is, however, unavoidable and National Bank of Prague must sanction all reinsurance treaties and will demand proof that reasonable reciprocity has been obtained.

Since the signing of the nationalization decrees reinsurance relations have again been re-established with this country and several prominent Czechoslovak insurance men have already paid a visit here. In Sweden a parliamentary committee has been appointed to consider nationalization of insurance with an unbiased examination of whether public ownership is preferable to private enterprise. Also in Denmark the labor party has put nationalization on its program. In neither country, however, is there any immediate threat to present insurance interests and to the position of foreign companies.

In conclusion we may mention that the only business the British insurance companies are losing at home, as a consequence of the impending social insurance legislation, is workmen's compensation business and funeral benefit insurances. The first was a liability created originally by the state and which the state is perfectly entitled to take back again once the principle is re-established that employers are only liable when negligent. That liability remains and the insurance companies will therefore be able to continue to write a fair amount of employers liability business, possibly even voluntary workmen's compensation insurance in excess of the state pensions. In the opinion of many observers the industrial life offices need not regret losing their funeral benefit business. Provided the world succeeds in creating conditions of full employment as a result of the Anglo-American financial arrangements and the understanding with Russia and the other great powers, British insurance offices feel confident of meeting conditions favorable to an expansion of the services it renders to the community.

U. S. Reinsurance Man's Views of London Market

(CONTINUED FROM PAGE 21)

look ahead. The London market is still equipped to handle quickly and efficiently insurance for any part of the world and write it on its merits irrespective of whether the volume is large or small and taking all the problems of international transactions in its stride and at the same time simplifying such problems as much as possible. Moreover, as in the past, there will be plenty of young men soon available who after a period of training in the home office for quite modest incomes and chances of future advancement will be prepared to live in remote parts of the world and develop small but profitable volume of premiums in cooperation with local governments or administrations.

Another factor which, I believe, will immediately encourage expansion as respects new classes and territories is the recent modest reduction in the excess profits tax which went into effect when I was in England. I must admit I heard a great deal of grumbling as respects war taxation both as respects private individuals and corporations and finally gave up trying to convince people that our taxation in the states was not just a drop in the bucket. Most of the rest of the world still seem to insist on regarding all American brokers as men fabulously wealthy and sitting pretty with nothing much to worry about.

Premium Retention Estops Mutual from Defending Because of Other Insurance

Retention of the unearned premium estopped the defendant from denying liability on the ground that the policy was void because of other insurance, the Kansas City court of appeals held in the case of Cox vs. Owensville Mutual Benefit Aid Association.

Cox purchased a 120 acre farm near Owensville, Mo., on which there was a nine room house, which he contended was worth $5,000, although he paid only $1,500 for the farm. He applied to Owensville Mutual, a farmers' mutual insurer, for fire insurance on the house, but was informed that it would not write more than $1,800 of coverage. Cox informed the mutual that he would accept the policy but would endeavor to secure more insurance elsewhere. The mutual policy was for five years. Some months later he purchased a policy for $2,500 in Continental, stating in the application to Continental that the mutual policy was outstanding but that it would be replaced. This was in October, 1941. The house was destroyed by fire June 10, 1942.

Rescind Decision to Pay

Directors of the mutual agreed to pay $1,780 for a total loss, deducting $20 for four doors which had been saved, but subsequently on discovery that the Continental policy had been issued, rescinded its action and disallowed the claim. Cox pleaded that defendant had retained the premiums on the policy and had failed to tender them back to him.

The policy states that the mutual "shall not be liable for loss or damage occurring . . . while the insured should have any other contract of insurance, whether valid or not, on the property insured in whole or in part by this policy." Testimony was to the effect that Cox had paid all premiums and assessments levied against the policy, that no refund of unearned premium had ever been tendered him, and that the mutual had considered and treated the policy as void and still did so because of the issuance of the Continental policy. The mutual insurer contended that since the policy was void it was not required to tender unearned premiums.

The court held that the insurer was in error in this respect. As a condition precedent to availing itself of the defense of forfeiture, the mutual insurer, after it learned of the unauthorized taking of additional insurance by plaintiff, should have made timely tender of the unearned premium on the policy and kept such tender good. Retention of unearned premium estopped the insurer from denying liability on the ground that the policy was void. The insurer claimed this rule did not apply because knowledge of the plaintiff's breach of contract came to the defendant after the loss occurred. The court held however that it was incumbent on the insurer to tender back the unearned premium when it did learn of the breach of contract, if it sought to deny liability on the ground that the insurance contract was thereby voided. Judgment was for Cox for the full amount of the policy.

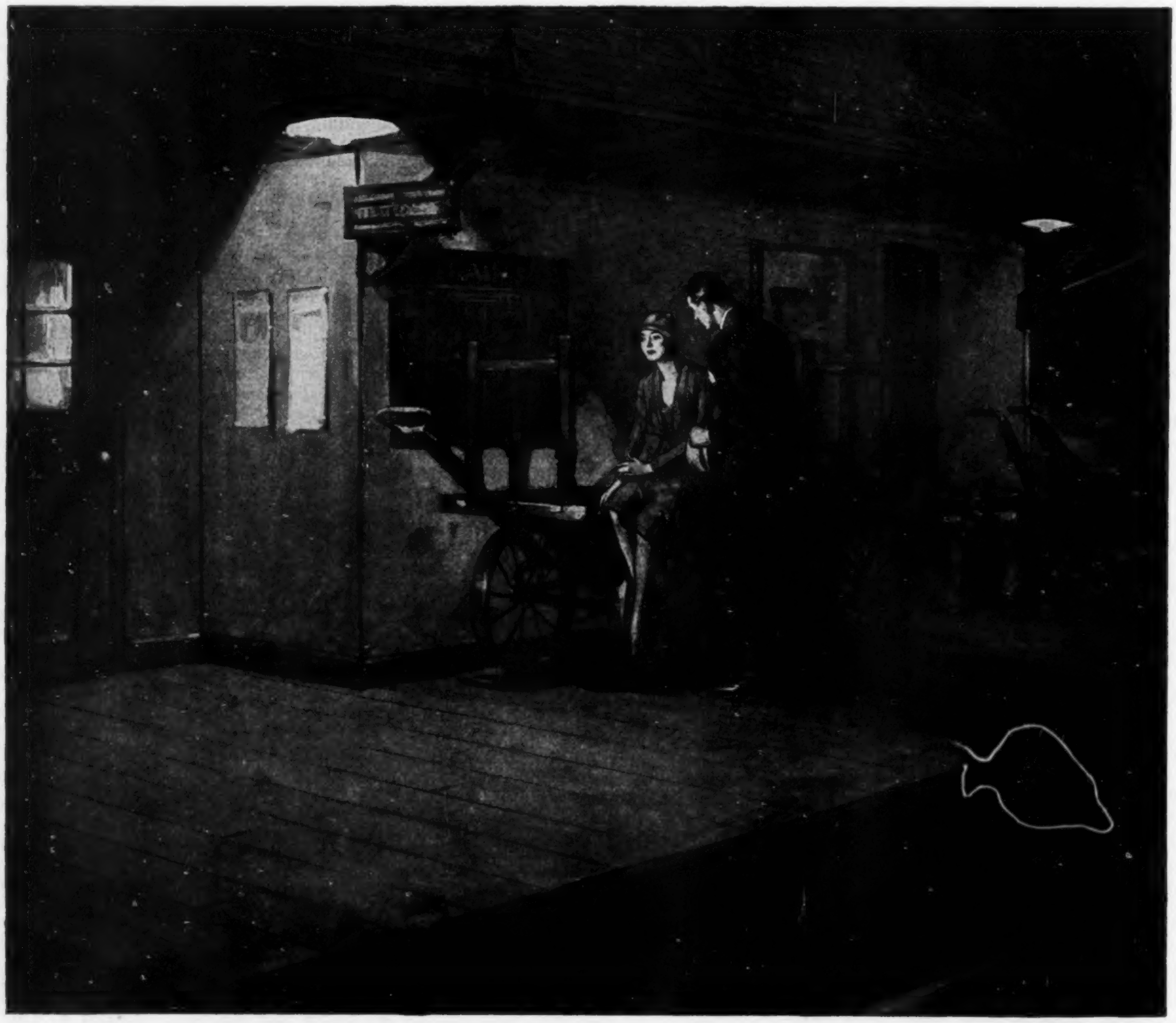
Joseph T. Tate, Owensville, appeared for the Mutual and H. P. Lauf and Sam Bushman, Jefferson City, for Cox.

Agent's Knowledge of Condition Binds Companies

In Caperton vs. Franklin Fire the Tennessee court of appeals affirmed the lower court. The property was located at Chapel Hill and J. R. Caperton was the policyholder. The agent, Guy Hoover of Shelbyville, first wrote the policy. He was told the policy was to cover Caperton's half interest in the building. Agent Hoover inspected the property before issuing the three year policy. Agent Hoover disposed of the agency to his brother Carney, who renewed the policy. A previous claim had been paid by the company without any question.

On this claim the company denied liability on the ground that there was a breach of the sole and unconditional ownership clause. In the trial court the company introduced no evidence and judgment was instructed for the plaintiff. On bill of exceptions to the higher court the judgment was affirmed. It held that the knowledge of the agent who wrote the policy is binding on the company and operates to waive the printed condition of sole and unconditional ownership. The acceptance of premiums by the company, under the circumstances, also operated to waive this condition.

The Insurance Women of Wichita held their annual Christmas dinner party with singing of Christmas carols, readings by Betty Bellis, formerly of Wheeler, Kelly, Hagny agency, and vocal solos by Marcele Swain of Wichita University. The next dinner meeting will be Jan. 16.



The Greatest Reason in the World

"WHY did you buy life insurance?" I asked him.

"Well," he said, "it was because once I met a young person coming up the stairs of an apartment house with her arms full of packages, one of them dangling from a slender string. I didn't think she'd mind, so I offered to help her. At the door of her apartment, I saw that she was quite pretty. She still is.

"Because late one night, while she and I were waiting at a dimly lighted railway station for the Owl to take me home, I said, 'We could live on the money I'm spending for railroad fares! What do you say we try it?' We did, and it worked.

"Because one day I was offered a job by another company, and when I told my boss, he promised me ten dollars more a week if I'd stay. When I told her of the boss's generosity, she said, 'What do you mean, generous? If he knew you were worth that much to him, he should have paid it to you before he had to.' So I quit and took the new job.

"Because one night she woke me up and said, 'I think I'd better go.' We went, and the last I saw of her that night, she was being trundled down a long corridor in a wheel-chair, in spite of her protests that she could walk. When I saw her the next morning, she was lying very still and white and with the sweetish smell of ether on her breath. A nurse came in and asked, 'Wouldn't you like to see him? But I wasn't interested in babies just then—not even our own.

"Because one autumn evening, while we were driving leisurely along a country road, we came upon a small white cottage, its windows ablaze with the light of the setting sun. She said, 'What a place this would be for us!' Yes, what a place it has been for us!

"It's because of these memories, and many others that I wouldn't tell you and that wouldn't interest you even if I did, that I bought life insurance.

"And if the premiums could be paid in blood, instead of money, pernicious anemia would be a pleasure."

• • •

Moral: Insure in The Travelers. All forms of insurance. The Travelers Insurance Company, The Travelers Indemnity Company, The Travelers Fire Insurance Company, Hartford, Connecticut.

Congressmen Impressed by Insurer's Work

Clark Bridges Tells of Contribution on Physically Handicapped Problem

WASHINGTON—The House Kelley committee which has been studying problems related to the physically handicapped had its members' eyes opened as to what casualty insurance has been doing with respect to educational work in behalf of physically handicapped persons and their employers, when Clark D. Bridges, director of conservation services of Zurich testified.

The committee had indicated a desire for information regarding the influence of workmen's compensation laws on the employability of such persons. And it got it. Mr. Bridges was examined at length by Rep. Patterson, California, who was acting as chairman.

Mr. Bridges said that, by and large, he is not in favor of waivers by employes of their rights under compensation laws, although he admitted such waivers enable a number of handicapped persons to get and hold jobs. Waivers are permitted under the laws of Connecticut and some other states. Men want to waive their rights, he said, in order "to obtain employment, . . . to overcome the objection and the hazard of permanent total disability, or serious injury arising in some cases of seriously disabled workers."

National Legislation

However, he was not prepared to say he would favor national legislation to legalize waivers. Patterson vigorously denounced waivers, saying some courts have knocked them out. Referring to the Illinois occupational disease act, under which employes affected by silicosis were permitted, during a limited period, to waive part of their rights, Bridges also spoke of employes going from one state to another and said "a new employer naturally would not want to buy a sick horse."

"What is the use of an employer making a sick horse?" Patterson asked.

Bridges agreed, saying: "I am a preventionist." He said the insurance people get hazards corrected. The company uses a standard rate and if hazard conditions are serious it "probably will not insure the plant," but "if the severe hazards are corrected then we write the risk." He said most hazards can be overcome without much loss to the employer.

Patterson inveighed against certain alleged practices in health insurance which he said he "would like to see cured by national legislation to put the responsibility on the insurance companies." He declared "it would be a good idea for all good reputable insurance companies . . . not to offer such benefits or policies."

Bridges pointed out that under compensation coverage the company has no knowledge of individual employes insured in plants covered. He referred to epileptics and said that Wisconsin permits them and the blind to waive under the compensation law. Silicosis can be absolutely prevented, the witness said, on the basis of modern medical knowledge, but indicated that some industrialists are not familiar with the method.

The second injury fund provision was

(CONTINUED ON PAGE 32)

First Reports Issued on Blanchard A. & H. Survey

WASHINGTON, D. C.—Life companies' share of the total accident and health premium increased from 47% in 1938 to 54% of the total in 1942 while the accident and health specialty companies wrote 33% of the total in 1942 compared to 37% in 1938 and the multiple line casualty companies wrote 12% of the 1942 volume and 15% of the 1938 total, acording to the first reports of the social security board in the survey conducted by Prof. Ralph H. Blanchard, school of business Columbia University and board research consultant.

Details of percentage distribution of accident and health premiums of 233 reporting companies for the two years follow:

	% of total		% of class	
	1942	1938	1942	1938
Class of carrier	100	100	..	..
A. & H. specialists ...	33	37	100	100
Noncan.	6	8	17	21
Commercial	10	8	30	23
Monthly prem.	1	1	4	3
Weekly indus.	1	1	3	2
Commercial trav.	3	5	8	18
Limited	2	3	7	8
Not classified	10	11	31	30
Multiple-line cas.	12	15	100	100
Life	54	47	100	100
Group only	9	4	17	9
Weekly indus.	7	8	12	17
Not classified	38	35	71	74
Reinsurance	1	1	100	100

Hospitalization Leads

There were marked differences in the increases in the various classes of business, ranging from 681% for hospitalization, through 197% for group insurance, to 26% for commercial and for noncancellable insurance.

Loss ratios by classes of business ranged from 34% for the limited business of 61 companies to 75% for the group business of 60.

In the important commercial class of business, 25 companies that did one-fourth of the business during the 5-year period returned 35 cents for each dollar paid in premiums. At the other end of the scale, 18 companies that did one-fourth of the business returned 62 cents for every dollar paid in.

In the group class, 42 companies that did one-fourth of the business paid out 66 cents for every dollar paid in premiums; seven companies returned 67 cents; three companies returned 29 cents, and eight companies returned 80 cents.

Net accident and health premiums of the 233 companies which cooperated in the survey increased from $183,702,046 in 1938 to $326,623,227 in 1942 (a 78% gain), $381,198,796 in 1943 and $458,-790,506 in 1944 (a 150% gain over 1938). The reporting companies represented 60% of the 390 companies writing accident and health and 90% of the total premium volume. Adjusting the $458 million total in 1944 to 100% the total for all companies is closely in line with the $525 million estimate of the Health & Acident Underwriters Conference, it is pointed out.

Life Companies Gain

The largest percentage of gain in the five year period was experienced by the life companies writing group with a 293% increase, while weekly industrial written by the specialty companies came second with 185% and the specialty companies' commercial is third with a 105% gain. Details are shown in Table I.

The 149 stock companies of 233 companies reporting wrote 63% of the total accident and health premiums of $205,-160,285 in 1942 compared to 69% or $127,101,496 of the 1938 total. The 53 mutuals wrote $109,531,733 or 33% of the 1942 total and 26% or $46,712,807 of the 1938 total. The 29 assessment companies wrote $11,885,035 of the 1942 total or 4% and $9,858,115 or 5% of the 1938 total. The two reinsurance companies wrote $46,174 in 1942 and $29,-628 in 1938, about .02% of the total both years.

Gains by Classes

Of greater significance than distribution of premiums by classes or types of carriers is that by classes of business, the report states. In 1938, the largest amount of premiums was attributable to commercial contracts, which represented 25% of the total premiums. In 1942, while premiums on commercial contracts had increased by 26% in amount, they were 25% of the 1942 total and had yielded first place to group insurance which had been in second place in 1938 with 24% of the total. In 1942, group premiums, having increased 197% since 1938, were 40% of the total. The largest relative increase was in hospitalization. Its premiums increased by 681%, moving it from eighth place in 1938, with 1% of the total premiums, to seventh place in 1942, with 3% of the total.

The volume of premiums is somewhat overstated, the report points out, since it includes some foreign business and provision in weekly premium industrial premiums for life insurance. Of the 233 reporting, 17 carriers, or 7% wrote some foreign business, but it is believed that the amount was not significant; 160, or 68%, reported that all their business was written in the U. S. or its territorial possessions. The remainder, 57, gave no information on this point, but they probably did little if any foreign business. Many companies report that 20% of their weekly industrial premiums are charged for death benefits; others do not include benefits for death by natural causes.

Life Contracts

In addition to the premiums written under accident-and-health contracts, premiums for disability insurance written under disability provisons of lfe-insurance contracts amounted in 1938 to $62,-919,862 (306 carrers); in 1942 to $59,-473,178 (303 carriers); and in 1943 to $57,679,334 (305 carriers).

Details by class of business are shown in Table II.

Incurred Losses Average 55%

Experience of 215 companies furnishing complete data and writing a major portion of the total volume shows that incurred losses amounted to 55% of the earned premiums for the five year period (1938-42). The stock companies had a loss ratio of 51% on all classes, mutuals 64%, assessment 64% and reciprocal 42%, the later figures representing limited business, the only class written. The loss ratio by class of business follows:

	Stock	Mutual	Assess.
Commercial	40%	51%	69%
Hospitalization	59	60	54
Group	73	78	..
Non-cancellable	65	87	53
Franchise	47	56	..
Monthly prem.	39	50	19
Weekly prem.	40	43	26
Limited	32	45	29

Table III shows a more detailed analysis of loss ratios.

Of the 234 carriers included in the survey, 215 furnished figures from which the ratio of incurred losses to earned premiums (less dividends or other refunds to policyholders) could be calculated. The experience of the carriers was divided in accordance with the size of their loss ratios, both over-all and for each class of business. Loss ratios were then calculated by loss-ratio groups, each group having 25% of the total earned premiums. The 117 carriers in the group having the lowest loss ratio had a combined loss ratio of 40%; 43 in the next group, 51%; 27 in the third group, 59%; and 28 in the group

(CONTINUED ON NEXT PAGE)

Md. Casualty May Take RFC Out of Picture

Refinancing Plans Contingent Upon Company Winning Stockholder Suit

Maryland Casualty has informed its stockholders that it plans to submit to them a refinancing plan to provide capital to replace present funds made available by Reconstruction Finance Corp. Although the favorable operating results of the last four years fully justify the contemplated moves, Chairman Stewart McDonald wrote the stockholders, the company has been prevented from presenting any satisfactory refinancing plan because of litigation started by a minority group of stockholders in the federal court in Chicago in 1943.

The court dismissed the suit as being without merit and the plaintiffs' appeal is expected to be heard early in 1946. After the appeal has been disposed of the company expects to be in a position to develop refinancing plans. With this refinancing the company would be in a better position to pay dividends from earnings on the common stock, the letter points out.

More Speakers Listed for National A. & H. Assn.

The program for the mid-year meeting of the National Association of Accident & Health Underwriters in Wichita Jan. 23-25, is practically completed except for the luncheon speaker at the sales congress.

Miss V. C. Hamilton, secretary Central Catholic Casualty, Omaha, will represent the women's division with a sales talk on the opening program the morning of Jan. 23 on which an additional feature has been added in a discussion of "The Purdue Short Course" by Theodor A. Grossman, Federal Life & Casualty, Denver, who was a member of the September class. Emerson Davis, Inter-Ocean Casualty, president of the Dallas association has been added to the managers' program, discussing "Management of Office Personnel."

J. Ray Donahue Pittsburgh Head of Eureka

J. Ray Donahue is joining Eureka Casualty as Pittsburgh manager. He has been resident vice-president of American Casualty there.

Mr. Donahue in 1917 joined the general agency of Massachusetts Bonding in Pittsburgh, later operating his own general agency.

Since 1928 he has been in company work. He was connected with Maryland Casualty Company and U. S. F. & G. in Philadelphia. He went with American Casualty in 1939 as Philadelphia manager.

W. G. Dick continues as manager of the coal mine compensation department of the Pittsburgh branch.

Locy Is Advanced at Detroit

Frank W. Locy has been named assistant manager of the Detroit branch of Standard Accident. He started in 1927 in the home office and has served as branch cashier and special agent.

First Report on Blanchard Survey

(CONT'D FROM PRECEDING PAGE)

having the highest ratios, 72%. This data is provisional and subject to correction, the report points out. Loss ratios by classes of business ranged from 34% for the limited business of 61 carriers to 75% for the group business of 60. Table IV gives loss ratios in detail by class of business and by loss-ratio groups.

Ratios for noncancellable contracts have little value in themselves or for comparison with those produced by other classes. Many carriers which have such business on their books have long since discontinued writing new business and are taking heavy losses; since the probability of loss in this class increases with age, loss ratios for a short period, especially if premium volume is increasing, do not conform to long-term results; further, contracts called "noncancellable" vary greatly in their terms.

Ratios by class of company and class of business show wide variations, due in some cases, doubtless, to small volume of premiums or the peculiar situations of single carriers.

In making the survey a list of carriers was drawn up from all available sources and a questionnaire was sent to 619 carriers. It was found that 390 carriers wrote accident and health insurance as a business at some time during 1938-42. The survey does not include the operations of fraternal associations, employer or employe benefit associations, nonprofit hospitalization or medical-care plans, or carriers dealing exclusively in hospitalization insurance. It likewise excludes medical payments written in connection with liability insurance contracts, figures on which are not available separately.

Of the 390 carriers, 234, or 60%, filed usable questionnaires, varying, however, in the degree to which the answers approach completeness; of the 234, 178, or 76%, filed supplementary questionnaires. Limited information concerning the greater part of the remaining 156 is available from published and other sources. While these 234 carriers represented 60% of the number of accident and health insurance carriers, they wrote, in 1942, more than 90% of the premiums and were, with two minor exceptions, doing an accident and health insurance business in that year.

Classification of accident and health contracts by type presented considerable difficulty, it is pointed out. While classes of contracts are generally recognized in the business, attempts to set down clear definitions revealed that these classes are not clearcut. They are based on benefits payable, premium-paying periods, methods of sale, contract terms, and type of insured; one or more of these considerations may influence the classification of a particular contract. Further, there is probably greater variety in accident and health contracts than is found in any other branch of the insurance business.

During the five-year period of the 53 reporting mutuals, 18 paid dividends to policyholders amounting to about $35 million.

Serious Economic Threat

In a foreword to Mr. Blanchard's report, I. S. Falk, director of the board's bureau of research and statistics, points out that the amended social security act imposes on the social security board the duty of studying and making recommendations as to the most effective methods of providing economic security through social insurance. "The division of health and disability studies in the bureau of research and statistics has compiled evidence which leaves no doubt that disability of wage earners is a serious threat to the economic security of their families. The bureau has been aware of the increasing amount of protection provided through private insurance companies against wage loss and medical costs incident to disabilities resulting from diseases and nonindustrial accidents. In 1942, when the services of a competent authority in the insurance field could be secured, plans were made to study the scope and extent of private insurance against these risks," he explains.

Barkev S. Sanders, chief of the division of health and disability studies assisted Mr. Blanchard.

Subsequent Bulletins

The findings will be presented in a series of bulletins, three of which have been released. Subsequent bulletins will deal with expense ratios, acquisition costs, and other aspects of the data collected.

As originally conceived, the study had a wider scope but it had to be restricted because of practical difficulties, largely due to war conditions. The same circumstances have delayed the publication of the statistics that were compiled. Even though the volume of business has increased considerably since 1942, the over-all relationships between premiums and losses, premiums and operating costs, etc., have probably remained substantially unchanged, so that the analysis presented is still valid, Mr. Falk stated.

In his work, Mr. Blanchard was assisted by the Bureau of Personal Accident & Health Underwriters, the Health & Accident Underwriters Conference, the International Federation of Commercial Travelers Insurance Organizations, and the National Negro Insurance Association.

Table I—Net premiums, accident and health insurance: Amount written in 1942 and 1938, and absolute and percentage increase, by class of carrier—233 carriers

Class of carrier	Amount 1942	Amount 1938	Increase, 1942 over 1938 Amount	%
All classes	$326,623,227	$183,702,046	$142,921,181	78
Accident and health specialists	109,035,281	67,293,306	41,741,975	62
Noncancellable	18,562,156	14,021,248	4,540,908	32
Commercial	32,206,724	15,689,655	16,517,069	105
Monthly premium	3,999,112	2,011,518	1,987,594	99
Weekly industrial	3,326,065	1,165,675	2,160,390	185
Commercial travelers	8,875,510	8,679,744	195,766	2
Limited	8,132,524	5,497,969	2,634,555	48
Not otherwise classified	33,933,190	20.227,497	13,705,693	68
Multiple-line casualty	39,693,090	27,452,244	12,240,846	45
Life	175,739,087	87,080,837	88,658,250	102
Group only	29,388,266	7,487,428	21,900,838	293
Weekly industrial	21,546,056	15,094,853	6,451,203	43
Not otherwise classified	124,804,765	64,498,556	60,306,209	94
Reinsurance	2,155,769	1,875,659	280,110	15

Table II—Net premiums, accident and health insurance: Amounts written in 1942 and 1938, and percentage distribution and increase, by class of business—233 carriers

Class of business	No. of carriers	Amount[1] 1942	Amount[1] 1938	% Distribution 1942	% Distribution 1938	Inc., 1942 over 1938 Amount	%
All classes	233	$326,623,227	$183,702,046	100	100	$142,921,181	78
Commercial	119	81,433,585	64,636,404	25	35	16,797,181	26
Hospitalization	64	10,958,100	1,403,680	3	1	9,554,420	681
Group	65	130,102,593	43,752,384	40	24	86,350,209	197
Noncancellable	40	21,920,705	17,466,067	7	10	4,454,638	26
Franchise[5]	17	7,622,673	5,690,567	2	3	1,932,106	34
Monthly premium	44	15,305,467	10,916,749	5	6	4,388,718	40
Weekly premium	40	28,941,676	18,869,289	9	10	10,072,387	53
Limited	78	16,027,982	11,523,865	5	6	4,504,117	39
Miscellaneous	26[2]	663,321	171,974	([4])	([4])	491,347	286
Unallocated	([3])	13,647,125	9,271,067	4	5	4,376,058	47

[1]Unallocated premiums, amounting to 5% of the total in 1938 and 4% in 1942, were reported by carriers unable to classify data in accordance with the classification adopted for this survey.
[2]Includes carriers which reported no allocation of premiums by class of business.
[3]Included in miscellaneous.
[4]Less than 0.5%.
[5]Includes railroad business.

Table III—Loss ratios, accident and health insurance: Incurred losses to earned premium[1] by class of carrier and class of business, 1938-1942—215 carriers[2]

Class of carrier	All classes[3] Earned premium (000's)	All classes[3] Loss ratio (%)	Commercial Earned premium (000's)	Commercial Loss ratio (%)	Hospitalization Earned premium (000's)	Hospitalization Loss ratio (%)	Group Earned premium (000's)	Group Loss ratio (%)	Noncancellable Earned premium (000's)	Noncancellable Loss ratio (%)	Franchise Earned premium (000's)	Franchise Loss ratio (%)	Monthly premium Earned premium (000's)	Monthly premium Loss ratio (%)	Weekly premium Earned premium (000's)	Weekly premium Loss ratio (%)	Limited Earned premium (000's)	Limited Loss ratio (%)
Accident and health specialists	423,567	51	147,485	56	15,647	55	37,911	67	77,115	52	26,502	53	31,686	40	23,251	34	40,786	35
Noncancellable	79,749	51	5,984	59	50	69	2[4]	28	73,452	50	.....	..	.....	..	.....	..	233	29
Commercial	111,519	52	86,649	51	7,791	59	149	64	2,620	80	172[4]	43	940	39	.....	..	4,209	51
Monthly premium	13,287	46	456	43	498	53	292[4]	48	.....	..	37	43	10,988	46	19[4]	33	15[4]	23
Weekly industrial	8,911	28	.....	..	.....	..	.....	..	85[4]	64	.....	..	1,114	30	6,380	27	1,072	24
Commercial travelers	44,286	69	44,114	69	171	48	.....	..	.....	..	.....	..	.....	..	.....	..	.....	..
Limited	33,840	32	1,478	37	684	60	54[4]	100	—21	..	496[4]	43	7,681	27	21[4]	33	23,311	29
Not otherwise classified	131,976	51	8,804	43	6,453	50	37,414	67	979	42	25,797	54	10,962	37	16,831	36	11,946	41
Multiple-line casualty	163,516	48	55,763	41	4,187	72	26,653	61	2,578	191	653	40	20,519	40	.....	..	9,789	30
Life	541,840	61	147,796	41	2,843	61	263,771	78	14,496	121	4,968	46	5,159	38	85,366	42	9,575	35
Group only	64,580	77	.....	..	.....	..	64,580	77	.....	..	.....	..	.....	..	.....	..	.....	..
Weekly industrial	85,283	42	88	44	26[4]	53	.....	..	.....	..	.....	..	635	49	84,368	42	.....	..
Not otherwise classified	391,977	63	147,708	41	2,817	62	199,191	78	14,496	121	4,968	46	4,524	37	998	22	9,575	35
Reinsurance	9,857	48	.....	..	.....	..	.....	..	.....	..	.....	..	.....	..	.....	..	.....	..

[1]Less dividends or other refunds to policyholders.
[2]These ratios calculated from data filed by 215 carriers, many of which furnished incomplete breakdowns (or none at all) by class of business.
[3]Includes figures reported for "miscellaneous" business and "unallocated."
[4]1 carrier.

Table IV—Loss ratios, accident and health insurance: Incurred losses to earned premium[1] by class of business and loss-ratio groups,[2] 1938-1942—215 carriers[3]

Group	All classes[4] Number of carriers	All classes[4] Loss ratio (%)	Commercial Number of carriers	Commercial Loss ratio (%)	Hospitalization Number of carriers	Hospitalization Loss ratio (%)	Group Number of carriers	Group Loss ratio (%)	Noncancellable Number of carriers	Noncancellable Loss ratio (%)	Franchise Number of carriers	Franchise Loss ratio (%)	Monthly premium Number of carriers	Monthly premium Loss ratio (%)	Weekly premium Number of carriers	Weekly premium Loss ratio (%)	Limited Number of carriers	Limited Loss ratio (%)
Total	215	55	106	47	49	59	60	75	35	66	14	52	30	40	32	40	61	34
1	117	40	25	35	20	46	42	66	12	43	11	44	9	31	17	32	16	21
2	43	51	52	42	14	56	7	76	4	52	1	51	8	38	2	38	16	31
3	27	59	11	51	1	60	3	79	1	54	1	57	3	42	2	44	11	35
4	28	72	18	62	14	75	8	80	18	116	1	57	10	50	11	47	18	48

[1]Less dividends or other refunds to policyholders.
[2]Group 1, carriers having lowest loss ratios in each class; group 2, next highest; group 3, next to highest; group 4, highest. Each group comprises carriers having 25% of earned premiums for each class.
[3]These ratios calculated from data filed by 215 carriers, many of which furnished incomplete breakdowns (or none at all) by class of business.
[4]Includes figures reported for miscellaneous business and unallocated.

Allied Licensed by Cal. to Write Compensation

The California department has licensed the recently organized Allied Compensation Insurance Company formed by Victor Montgomery and his associates in Pacific Employers of Los Angeles. Allied was formed to write compensation insurance on the level dividend basis similar to that used by mutual compensation carriers in California.

Pacific Employers will continue to write participating compensation on the graduated scale of dividends similar to that employed by other stock participating companies.

John C. Sutherland is president of the new company. It hopes to give agents and brokers greater facilities to compete with mutuals.

Russell in High Executive Post with Colonial

James H. Russell, vice-president in San Francisco for Colonial Insurance Company of Los Angeles, has been appointed executive vice-president and is moving to the home office about Jan. 1. A veteran casualty man, he was an ex-executive with Associated Indemnity before joining Colonial. He will be succeeded in San Francisco by Edward J. Junker, who has been in the home office.

Cannon Resigns A. & C. Post

W. G. Cannon, for several years manager in San Francisco of Accident & Casualty, has resigned and will make announcement of future plans shortly after the first of the year. G. L. Newcomb, superintendent, will be acting manager

Golden Wedding Anniversary for Mr. and Mrs. Burras

By SPENCER WELTON

Charles H. Burras, president of Joyce & Co., Chicago, and Mrs. Burras, who will celebrate the 50th anniversary of their wedding on Sunday, Dec. 30, have sent out invitations to an at home on that date at the Edgewater Beach Hotel, Chicago.

C. H. Burras

Mr. and Mrs. Burras were married in the old Methodist Church in Austin, which at that time was a part of the town of Cicero.

Mr. Burras, born in Ohio, went to Chicago in 1890, not quite certain of what business to engage in but determined to establish himself in the leading metropolis of the middle west.

Very quickly he decided to make the law his career and found a variety of daytime work to support himself while he attended night classes of the Chicago College of Law.

Beat the Gun

He studied so intently that he was able to pass the bar examinations and be admitted to practice in April, 1896, well in advance of his formal graduation from the law school.

In 1899 Mr. Burras entered the insurance business in the law department of London Guarantee in Chicago, of which Capt. O. W. Masters was U. S. manager and Conkling, Price & Webb were general agents for Illinois, then attorney of Pacific Coast Casualty at Chicago and in 1912 joined National Surety as its general attorney in the middle west, with headquarters in Chicago.

At that time he also acted as house attorney for Joyce & Co., who were general agents of National Surety in Chicago.

In 1916 Mr. Burras was elected president of Joyce & Co. and has remained continuously in that office ever since.

He has served four terms as president of the National Association of Casualty & Surety Agents, four terms as chairman of the executive committee and for the last 15 years has been secretary and treasurer.

President of Forty Club

His nation wide acquaintance with leaders, not only in the insurance field but in industry and finance as well, is revealed at any gathering of the famous "Forty Club" of Chicago, of which he has been president for 20 years and which is said to be the oldest dinner club in the United States and certainly one of the most distinguished.

Mr. Burras has a national reputation as a presiding officer, toastmaster, raconteur, has traveled extensively with Mrs. Burras but is happiest when at his home at Long Beach, Ind., surrounded by his children and grandchildren.

Mrs. Burras, born Charlotte Ritchey Meredith, was the daughter of Capt. William L. Meredith, a veteran of the civil war.

She has accompanied Mr. Burras on many journeys throughout the country, particularly to the insurance conventions formerly held at White Sulphur Springs each fall.

Has Many Warm Friends

Her gentle, gracious manner, infinite tact and genuine desire to add to the pleasure and comfort of all who are near her, have won her a wide circle of warm friends.

Her father, Capt. Meredith, served directly under Col. Benjamin Harrison, who as president appointed him director of the bureau of engraving and printing at Washington, which position he held for many years.

Upon retirement he became, and to the end of his life continued, a member of the money committee of the Treasury Department.

Mr. and Mrs. Burras have two children, both daughters, one Mrs. Fred W. Meyers of Winnetka, another Mrs. Lowell A. Barr of River Forest, Ill., and four grandsons and one granddaughter.

The oldest grandson is Ensign Charles Burras Barr; the next oldest, Lt. William F. Meyers of the marine corps, Richard M. Barr is a junior at Oak Park High School, and John Allen Meyers, a junior at the New Trier High School at Winnetka.

Charlotte Meredith Meyers, the granddaughter, was married Sept. 1, 1945 to Lt. Ralph H. Benz, Jr., of the army air force, now living at Detroit.

In addition to thees immediate descendants, it is expected that several hundred relatives and friends will gather at the Edgewater Beach Hotel Dec. 30.

Finds Job as Cattle Salesman Didn't Violate Farmer's Rider in Auto B. I. Policy

Despite the presence of a so-called farmers endorsement to an auto B. I. policy of Freeport Motor Casualty, the Illinois supreme court has held the cover was good even though the assured at the time of the accident was driving the car in the capacity of salesman for the Morris Cattle Co. The case was Scott et al. vs. Freeport Motor.

The rider provided that the assured must reside on a farm outside the limits of any town and engage in "no occupation other than farming . . ." Forfeiture was the penalty for violation of the condition.

Mary Scott got a judgment of $5,000 and Fred Scott one for $2,250 against the assured, Bernard Eden, on account of injuries suffered in an accident that occurred in 1936. The judgments were returned unsatisfied and Freeport Motor denied liability.

The supreme court held that an occasional or isolated driving of the car in connection with some business other than farming does not warrant forfeiture of the policy.

Important Point

Freeport Motor also cited the fact that Eden received benefits under Morris Cattle Company's workmen's compensation policy. To this the supreme court said that the acts of the insured after the accident can't be permitted to defeat the policy. Otherwise an insured, acting alone, or in conjunction with the insurer, could defeat the purposes for which the law was enacted making the insurer liable to the person entitled to recover in the same manner and to the same extent that the insurer would be liable to the assured.

Eden's acceptance of compensation, the court concluded did not establish that he had changed his occupation to something other than farming.

Franklin J. Stransky of Chicago and George Spitz of De Kalb represented the plaintiffs while Burrell & Burrell of Freeport and Henry C. Warner of Dixon, were attorneys for Freeport.

N. C. Gives OK to Mileage Classification Plan

RALEIGH, N. C.—Commissioner Hodges has approved for use in North Carolina the mileage classification rating plan for automobile B.I. and P.D.

The new rates represent a decrease of 12.6% from pre-rationing rates for B.I., and an increase of 6.6% for P.D. Hodges said they represent a net overall decrease of 8.1% from pre-war.

The rates are uniform throughout the state. Heretofore there have been two North Carolina rate territories.

Truman Proposes U. S. Automobile Accident Control

President Truman, in a recent conference with the press, proposed federal control of automobile operators on interstate highways, unless the states more effectively handle the accident problem, according to a release by National Highway Users Conference.

The President recalled that 10 years ago he introduced such a bill to regulate drivers and although it was passed in the Senate three times, it was killed in the House three times.

President Truman stated that deaths due to highway accidents since 1935 total more than the number of men lost in all of this nation's wars. He estimated that the property damage over this same period of time has amounted to $1 billion.

URGE UNIFORM SYSTEM

The eastern conference of the American Association of Motor Vehicle Administrators adopted recommendations aimed at making it difficult, if not impossible, for unqualified persons to obtain driver's licenses.

The recommendations were presented by the committee on licensing standards. They endeavor to provide a uniform system of licensing faulty drivers by making administrative procedure the same in all states, improving methods for determining physical and mental qualifications of the applicant, improving methods of examining applicants, and eliminating wholly disqualified applicants in the interest of accident prevention and the public welfare.

Among the speakers were Robert I. Catlin, vice-president of Aetna Casualty, and T. N. Boate, director special service division National Conservation Bureau.

Navy Insurance Specialist Back with Executives

Back again at his post as manager of the fidelity and surety department of the Association of Casualty & Surety Executives is Alexander Foster, Jr., who has been contributing his insurance experience to the navy as fidelity and surety bond specialist in the insurance division.

Alex. Foster, Jr.

Mr. Foster first joined the association in October, 1940, after resigning as assistant general counsel and vice-president of National Surety.

Milwaukee Claim Men Elect

MILWAUKEE—Walter A. Weisleder, Liberty Mutual, has been elected president of the Milwaukee Casualty Insurance Claims Managers Council, succeeding Arthur F. Kehoe, Aetna Casualty. J. P. O'Hair, National Surety, is vice-president, and Elmer Voigt, Fidelity & Casualty, secretary-treasurer.

G. I. Benefits for Vets in Standard's School

The home office training school of Standard Accident group has been approved for veterans under the G. I. bill of rights. This means that all veterans, whether employes of the company or employes of agents, will be paid educational benefits during the 13 weeks they attend school. These benefits are in addition to any salary or expense allowances they receive from the company or from their employers.

Name N.A.I.C. Committee to Study Means of Paying for Compensation Actuary

In conformity with the resolution adopted by the National Association of Insurance Commissioners at Grand Rapids, President James M. McCormack has appointed a committee to determine whether the method of compensating an actuary is legal under the N.A.I.C. constitution and by-laws. It is proposed to employ an actuary as a "temporary liaison" between the N.A.I.C. and National Council on Compensation Insurance and the proposal is to raise his salary by means of an examination fee assessed against the National Council.

W. P. Hodges

This plan, its sponsors felt, would be considered as comparable to assessing the cost of an examination against an individual insurance company.

The committee consists of Hodges of North Carolina, chairman; Gibbs of Texas, vice-chairman, and Dineen of New York. After nearly two years of study of the situation created by the death of Clarence W. Hobbs, who was special representative of the N.A.I.C. on the N.C.C.I., the commissioners at Grand Rapids, decided, at this time at least, not to proceed to make a replacement in that position, which paid a salary of $18,000. The workmen's compensation committee recommended instead that an actuary be employed by the association, but the association as a whole modified that recommendation to provide that the making of such an appointment should be regarded as merely an interim solution of the problem. That leaves the door open to make a decision at some later date to fill the larger salaried job.

Arkansas Extra Premium Tax Reduced 25%

LITTLE ROCK—A 25% reduction in the 1942 tax assessment of companies writing workmen's compensation in Arkansas for support of the state workmen's compensation commission has been announced by Governor Laney. The tax, based on premiums written in the state, will be reduced from 2 to 1½%. This levy is in addition to the regular 2% premium tax collected by the state on all insurance premiums.

Governor Laney said the extra 2% has been collected since enactment of the Arkansas workmen's compensation law in 1942, although the law itself permits a maximum tax of 3% to be levied for operation of the commission. This reduction was made possible by the accumulation of a surplus.

Bruce to Royal Indemnity

MILWAUKEE—P. Kendall Bruce has been appointed to do field work in Wisconsin for Royal Indemnity, it is announced by E. A. O'Neill, Milwaukee manager. Mr. Bruce recently completed three years in the navy as a lieutenant and was a beachmaster through Pacific invasions. He came to Milwaukee about 14 years ago as field assistant of Travelers, later joined the Employers Liability and in 1939 went to Farmers Mutual of Madison, where he was agency supervisor just prior to the war.

Visitors Come Under Law

If a non-resident motorist becomes involved in an accident in Manitoba he must assure the authorities of his financial responsibility or have his vehicle impounded. A non-resident motorist can also file a claim against the new unsatisfied judgment fund if he or his car are injured by a negligent motorist who lacks the means to settle the claim.

ACCIDENT AND HEALTH

Forbes Promulgates New Definition of Wholesale or Franchise Insurance

LANSING, MICH. — Commissioner Forbes has supplemented his recent ruling outlawing the writing of wholesale or franchise health and accident coverage in Michigan after Jan. 1 by issuing a definition of these particular forms.

The commissioner said representatives of several companies visited the department offices, following issuance of the original ruling, to ask whether certain types of policies they were issuing came under the ban merely because they involved a salary deduction premium collecting plan. They were assured that forms which carried full premium charges were in no way affected. However, inasmuch as no definition ever has been made by the industry or by the National Association of Insurance Commissioners of the terms "wholesale" or "franchise," the commissioner decided to issue a departmental definition.

It states that "wholesale or franchise" shall be considered "that type of individual accident and health insurance policies that are issued to groups not in compliance with our group accident and health statutes, where either the premium is lower or benefits greater than are issued to individuals not in the group but of the same classification of risk, resulting in discrimination."

The statute, he said, provides that a legal group must involve a master policy issued either to an employer or to an organization, with certificates issued to individuals insured.

Continental Casualty Has New "Key Man" Group Plan

Continental Casualty has announced a "key man protection plan" of accident and sickness group insurance for higher salaried executives and management employes protecting their employers. It provides benefits as broad as under an individual commercial accident and sickness contract, but the cost on a group basis is 25% less.

It includes lifetime income up to $150 per week for accident total disability; loss of life and dismemberment benefits; sickness income up to $150 per week for one year, regardless of house confinement; reimbursement for accidental injury medical expenses up to $3,000; elimination periods that can be "tailor made" to fit individual needs.

World-wide transport air travel and North American continent non-scheduled passenger travel are covered.

Would Extend Ill. Jobless Act to Cover Sickness

A plan for extension of the unemployment compensation act of Illinois to cover loss of time through illness, following the Rhode Island model, with an additional 1% payroll tax, was proposed by S. C. Bernstein, state unemployment compensation commissioner, at the first hearing held by the joint Illinois legislative committee which is investigating health insurance plans. Bernstein's proposal was endorsed by representatives of both the C.I.O. and A.F. of L.

Gerhard Hirschfeld, Research Counsel for Economic Security, discussed the economic angles of the proposal, including its high cost and the consequent effect on both business in general and the workers themselves. There was really no indication of the attitude of the committee members on the proposal.

Interim committees are studying this question in six states and the ones which have held hearings so far have not seemed to be very strong for the compulsory idea. However, even though two legislative committees are at work there, a new bill along that line is almost certain to be introduced in the special session of the California legislature which Governor Warren has called for early in January and will have strong political pressure behind it.

The immense reserves which have accumulated in the unemployment compensation fund in most states offered the primary motivation for most of these measures. With the increase in unemployment which followed the cancellation of numerous government contracts it was thought that the drain on unemployment compensation reserves would be so heavy that this argument would be nullified, but even in the states with the greatest unemployment the funds have not been cut down very materially. In fact, the unemployment situation has been a life-saver for the Rhode Island sickness benefit plan. Workers who previously would claim sickness benefits when they wanted a vacation are now drawing unemployment benefits and the result is that the sickness fund is in the best position financially that it has been for two or three years.

Nearly all of the state compulsory health plans propose an additional payroll tax of 1 or 1½%. That may not seem so much of itself, but the opponents of the plans are pointing out that the freezing of the social security tax at 1% can't continue much longer and that when it goes up to 3% the proposed addition to the tax structure would mean a total of probably 5½% for the worker and even more for the employer, most of which eventually will be passed on to the workers on what they buy as consumers.

New Assignment for D. C. Schrage

David C. Schrage, who has been representing the home office accident and health department of Standard Accident since 1943, has been named field representative of the Detroit office. Mr. Schrage will take over the servicing and solicitations in connection with group disability, hospitalization and surgical, and commercial accident and health business. Prior to 1943 he was connected with Continental Casualty as agency secretary for commercial A. & H. and later manager of the Chicago A. & H. branch.

Reserve Ins. Co. Is Organized in Illinois

Interests identified with Reserve Mutual Casualty of Chicago have taken steps to put in operation a new stock company to be known as Reserve Ins. Co. It has been incorporated with authorized capital of $200,000 and expects to receive a license to commence writing A. & H. insurance very shortly. Incorporators include Fred E. Law, who is in the general insurance field and recently became president of Reserve Mutual Casualty; Howard P. Hurst and M. J. Law.

Vachon Is Promoted

Laurence Vachon has been appointed assistant superintendent of agencies of the northern division of California by Unity Mutual Life & Accident. He started as an agent in 1938, later serving as assistant manager, home office inspector and field supervisor.

H. & A. Conference Mid-Year

The Health & Accident Underwriters Conference will hold its mid-year meeting at the Stevens Hotel, Chicago, Feb. 5-6.

Against Truman Plan

DES MOINES—More people in Iowa are opposed to than favor President Truman's compulsory health insurance plan, according to a poll conducted by the Des Moines "Register."

Asked whether they favor enactment by congress of the plan, 49% were opposed, 40% in favor and 11% gave no opinion. The 40% in favor of the plan were asked whether they would be willing to pay $1 a week on every $25 earned and about three out of four answered yes.

North American's Increase

North American Accident will round out the year with $6 million premiums. They are all accident and health. The increase for 1945 will be about $600,000.

L. G. Goodrich, returned from 2½ years of naval service, has been appointed assistant director of Michigan Medical Service. Before entering service he was assistant director of Michigan Hospital Service.

COMPENSATION

Tennessee to Study Compensation Law

NASHVILLE—W. E. Jacobs, Tennessee labor commissioner, has announced that public hearings will be soon on the state's compensation law in an effort to get representatives of both management and labor to agree upon changes to bring the law up to date.

A thorough reexamination of the benefit schedules, as well as administrative practices and procedures is needed, David Hanley, superintendent compensation division of the labor department, explained. An administrative board would be a better agency than the courts clogged with other cases, to administer disputed compensation claims, he asserted. During the past year 1,114 of the 8,413 were in court. Only six other states use the courts for administration. He said there is need for addition of compensation allowances for occupational diseases.

Higher Benefits Sought

Benefits have remained at $18 weekly since 1941 while both wages and living costs have gone much higher, Mr. Jacobs pointed out, holding that the state insurance department takes in enough in premium taxes on workmen's compensation insurance carriers and self-insurers to "pay for a vastly expanded workmen's compensation program." He cited a collection of $279,916 in 1944 on writing companies and $70,447 from self-insurers. The workmen's compensation division, with only four employes, operates under an annual budget of $20,000. For the 1944 period, carriers had net earned premiums of $7,282,925 against losses paid and incurred of $3,455,073.

Commissioner Jacobs does not recommend a state fund. He promises that if the Tennessee law is liberalized to increase benefits that accident prevention laws will be more rigidly enforced, reducing the number of accidents.

Mo. Gives OK to 11.1% Compensation Rate Increase

Commissioner Jackson of Missouri has approved the workmen's compensation rate increase program submitted by the National Council on Compensation Insurance, which is estimated to produce an overall increase of 11.1%. The new rates go into effect Dec. 31.

The rates are predicated on the experience of 1942-43 policy years which gave a loss ratio of 66.

Mr. Jackson took occasion to compliment the National Council, saying that its rate making procedure was designed by some of the best actuarial talent in the country and that the council has attained a semi-judicial dignity and authority comparable to that of state regulatory bodies for public utilities and similar types of business.

Insurance, Mr. Jackson stated, is a retail business and the cost or profits in its operation are no greater than other businesses.

Name N. J. Medical Director

Dr. Henry A. Brodkin will assume his duties as the first full-time medical director of the New Jersey workmen's compensation bureau Jan. 1. He will have full charge of all clinics and medical examinations conducted by the bureau.

SURETY

Bids Opened on Big West Coast Construction Projects

LOS ANGELES—The Utah Construction Co. group, which includes Morrison-Knudsen Co. and other large contractors, bidding as joint venturers on the Davis dam in the Colorado river, was low bidder when bids were opened here by the bureau of reclamation, with a bid of approximately $21,0000,000. Aetna Casualty and Fidelity & Deposit are the principal originators of the bonds on the work.

Haddock-Engineers, Ltd., have been awarded the contract for the completion of the work on the Inyokern project of the navy at their bid of $8,000,000. The Los Angeles offices of Fidelity & Deposit and Great American Indemnity executed the payment and performance bond on the work.

Griffith Co., Los Angeles, was the low bidder on 9.8 miles of highway construction near Colton, Cal., when the state highway department opened bids for the work. Its bid was $1,386,769. The bond on the contract if awarded to the low bidder, will be written by National Surety.

Wride Portland, Ore., President

The Surety Association of Portland, Ore., has elected Elwyn A. Wride, U. S. F. & G., president; Norman Knowlton, Hartford Accident, vice president, and Walter J. Pearson, of Bates, Lively & Pearson, general agent, secretary.

Second Injury Fund Law Proposal for States-U. S.

WASHINGTON—A proposed uniform state second injury fund act is included in a program of suggested state postwar legislation developed by the Council of State Governments and federal administrative agencies in cooperation with the Department of Justice. The latter has released the program.

The release states that second injury funds or equivalent arrangements have been enacted by 32 states, besides provisions of the Hawaiian law on the same subject and of the longshoremen's and harborworkers' act applicable to the District of Columbia.

The explanatory statement declared establishment of a second-injury fund will remove one of the obstacles to the employment of physically handicapped workers—the fear of increased compensation cost to the employer. Such a fund also protects the employer against disproportionate financial risk, and more adequately provides for the worker in the event of subsequent injury.

Under the recommended legislation the cost to the employer of a subsequent injury to a handicapped worker resulting in permanent total disability would be limited to the payment of compensation for the last injury considered by itself. The employe, however, would receive compensation for the result of the combined injuries. The difference between the amounts would be paid out of the second injury fund.

The employer would pay to the industrial accident commission $500 in no dependency, death cases

The draft bill, the report says, "is the specific type which has been tested by many years of operating experience. A vague or complicated type of provision which appears to cover all conditions and exigencnes breaks down in operation."

CHANGES IN CASUALTY FIELD

Westphal, Joline to Higher Posts

The Eagle, Globe, Royal Indemnity companies have appointed August Westphal and B. E. Joline as assistant managers of the bonding department. Frank J. Sayler will continue as associate manager.

Mr. Westphal has spent his entire business life in the surety field. After graduating from Brooklyn law school, he started with the old Aetna Indemnity and later went with National Surety. In 1911, he went to Royal Indemnity. When the bonding departments of the three companies were merged in 1931, Mr. Westphal took over supervision of the contract bond division.

Joline in Business 21 Years

Mr. Joline, a graduate of Yale, has likewise spent his business career in the bonding end. His first connection was with the home office underwriting department of National Casualty in 1924 and in 1929 he went with New Amsterdam Casualty as production manager of the bonding department.

In 1941, Mr. Joline joined Royal Indemnity as superintendent of the metropolitan bonding department.

Mr. Westphal will continue supervision of the contract bonding department and will assume additional administrative duties while Mr. Joline will take over active supervision of production and will also assist in management.

R. H. Ritter Resigns as Trinity Universal V.-P.

R. H. Ritter has resigned as vice-president of Trinity Universal, effective Jan. 15. Some time ago he acquired an interest in a frozen food business in Colorado and the development of the business has been such that he feels it is imperative that his time be devoted to the venture.

Mr. Ritter entered insurance in 1929 as a member of the claim department of Trinity Universal in Los Angeles. In 1935, he was transferred to the home office where he became manager of the claim department. In 1940 he was elected vice-president and shortly thereafter was placed in charge of the agency and production department and continued in that position until now.

Hubbard Manager of New Texas Branch

A second branch office has been established in Texas in the Scanlan building, Houston, by American Surety and will open Jan. 2. It will service business also of New York Casualty and Surety Fire of the group. The other Texas branch is in Dallas, and a service office is maintained at Austin.

This will be the American Surety's 39th branch office in the United States. Richard A. Hubbard, formerly acting manager of the Dallas branch, will be the manager. Earl A. Teague, who recently returned from service, has resumed his post as manager at Dallas.

Frymire Is Aetna Manager at Albany

Frank D. Frymire, agency supervisor at Pittsburgh of Aetna Casualty, has been named manager at Albany. He succeeds Robert W. Conly, who has been named manager of Aetna's new office in Hartford.

Mr. Frymire was educated at Pennsylvania State College. He joined Aetna in 1923 and, after attending a training school at the home office, was assigned to Grand Rapids as a special agent. He was subsequently transferred to Harrisburg in a similar capacity and, when Aetna opened its Pittsburgh office in 1940, he was named agency supervisor.

Standard Accident Group Opens Grand Rapids Office

A new office to provide service to agents in western Michigan has been opened by the Standard Accident group in 1000 Grand Rapids National bank building. C. B. Kingman and M. R. Risinger will be field representatives at the office and the staff will include competent claim representatives. The new office will report through the group's Detroit branch.

Three Naval Veterans Are Rejoining Travelers

Three members of the Travelers casualty field force have recently been released from active duty with the navy and reappointed to positions with the company. They are John E. Veum, Jr., assistant manager, at Milwaukee; H. Aulick Burke and George M. Lewis, field assistants in Richmond, Va., and Indianapolis, respectively.

Mr. Veum was commissioned a lieutenant in June, 1942. He was promoted to lieutenant commander in October, 1944, and he served on the staff of the 10th army in the capacity of navy secretary throughout the Okinawa campaign.

Commissioned an ensign in July, 1942, Mr. Burke was assigned to a motor torpedo boat squadron and served as a boat captain in the Solomons and at Palau. In 1944, he became a torpedo division leader and saw further service in the Philippines.

Mr. Lewis was commissioned an ensign in the aviation branch in April, 1943. Subsequently he was assigned as radar control officer aboard an aircraft carrier which provided air cover for the third fleet during strikes against Japan. He went ashore at Tokyo shortly after the signing of the surrender terms.

Kemper Makes Changes in Organization

The following changes in organization have been made by James S. Kemper & Co.:

Lt. Comm. Lewis H. Bodman, who

rior to entering the service was associated with the Philadelphia office will become manager of the Newark office. . M. Coords will continue as assistant manager.

John T. Coll goes from Lumbermens Mutual and American Motorists to become Buffalo office manager. Ross C. Neal goes to Philadelphia from Buffalo.

Other changes within the organization include the establishment of an audit and survey department under the management of James E. Lesher, now in charge of the Allentown office.

New Surety Department Head

Commercial Standard has appointed . M. McWhirter manager of the fidelity and surety department at the home office. Mr. McWhirter has had a long experience in the casualty business. He started as an automobile underwriter, later transferring to casualty underwriting and for 11 years has served exclusively as a bond underwriter.

Joe M. Ligon has returned from the marine corps to his position in the accident prevention department at Commercial Standard's home office.

McAllister Succeeds Oliver

A. Hall McAllister has been appointed claims manager of California Casualty Indemnity Exchange, succeeding Richard O. Oliver, who resigned to enter the private practice of law.

Kennedy Assistant Manager

Courtney C. Kennedy, field assistant in the Travelers Los Angeles branch, has been appointed assistant casualty manager with headquarters at Hollywood, Cal.

Higgins Named at Los Angeles

S. J. Higgins has been named manager of office activities by the Kemper companies in the Los Angeles branch office. He recently returned to the organization after 32 months service as a navy lieutenant. Previously he was associated with the Kemper group for 4½ years in sales promotional work and as personnel manager in the home office, and before that had 12 years' general insurance experience with a New York City agency.

Frank O. Hoffman Resigns

LOS ANGELES—Frank O. Hoffman, superintendent of claims of National Automobile & Casualty, has resigned. It is understood he plans to enter the brokerage business.

Comm. Standard Okla. Shifts

Lester D. Hoyt, claims attorney in the Oklahoma City branch office of the Commercial Standard, has been named special agent in the production department. He joined Commercial Standard in 1942 as claims attorney and was in service more than a year.

Howard E. Hentz of Oklahoma City is now associated in the claims department there. He has just been released from the navy.

PERSONALS

Brig. Gen. George Olmsted, on leave of absence as chairman of Hawkeye Casualty of Des Moines, has left Shanghai, China, by plane for Washington, D. C., and expects to return to civilian life after a short tour of duty there. He has been assistant chief of staff to Lt. Gen. Albert G. Wedemeyer in China and during the closing days of the war was in charge of mercy teams which released war prisoners and internees. He also coordinated lend-lease problems in China.

The birthday of **William L. Thomas,** general agent of the Massachusetts Bonding accident and health department in Los Angeles, was given general recognition by the company in its house organ. He entered insurance in 1916 with the accident and health department of Pacific Mutual Life and when it closed its monthly premium department in 1932, he went with Massachusetts Bonding.

State Senator **Lew Wallace,** Portland accident and life insurance man, has announced his candidacy for the Democratic nomination for Congress from the third Oregon district. He is Democratic national committeeman for Oregon.

William A. Sessions, recently reappointed assistant manager at Newark for the Travelers fidelity and surety lines, has an outstanding war record. He is a veteran of both world wars and is one of the U. S. naval heroes who has been awarded the Order of Fatherland War, first class, by the Russian government for "outstanding military activity" in transporting goods of war to Russia's northern port, Murmansk.

Mr. Sessions first entered the navy in 1917 as a seaman and following his release to inactive duty was commissioned an ensign in the reserve. In June, 1940, he was recalled to active duty and was assigned to the U.S.S. Republic as senior watch and division officer. He was promoted to commander in August, 1943 and served as commanding officer of the "Huse," the "Gandy" and finally was assigned to commander escort division 55.

The 27th Christmas party of **American Surety** and its affiliate, **New York Casualty,** was held in the home office building. A number of executives and about 700 metropolitan district employes, including many returned veterans, attended.

Automotive of Los Angeles has been issued two permits to issue contribution certificates in the amounts of $78,750 and $90,000 by Commissioner Garrison.

American Republic of Des Moines has been licensed in Oklahoma.

ASSOCIATIONS

Ashley Named N. Y. Casualty & Surety Club President

Charles S. Ashley, Maryland Casualty, was named president and Ashby E. Bladen, Century Indemnity, was chosen first vice-president of the Casualty &

CHARLES S. ASHLEY

Surety Club of New York at the Christmas party and election last week. Robert L. Green of Employers is second vice-president, and Herbert J. Just, Maryland Casualty, secretary-treasurer.

Members of the executive committee

are: Robert H. Nicholls, Fidelity & Casualty; G. W. Crist, Jr., Fidelity & Deposit; Franklin Vanderbilt, Indemnity of North America; William Bernhard, General Accident, and Edmund J. Donegan, Loyalty group.

Retiring President William J. Thompson, vice-president Globe Indemnity, made the proceedings brief. He paid tribute to members who had died during the year. Included among these were, James A. Beha, former New York superintendent and former general manager of the National Bureau of Casualty & Surety Underwriters; Edson S. Lott, late president of U. S. Casualty and one of the founders and past presidents of the club; Franklin D. Roosevelt, honorary member since 1934 and a former vice-president of the Fidelity & Deposit, and W. M. Tomlins, Jr., former vice-president of the American Surety, who was president of the club in 1917.

Among those present were Superintendent Dineen; Commissioner Carey of New Jersey; George S. Van Schaick, former New York superintendent; Commissioner Harrington of Massachusetts; Alfred J. Bohlinger, Shelby C. Davis, Walter F. Martineau and Carl Typermass, deputies of the New York department; Col. Francis R. Stoddard, former New York superintendent; Charles A. Wheeler, chief of casualty bureau, New York department; Frank A. Christensen, past president Association of Casualty & Surety Executives; J. Dewey Dorsett, general manager Association of Casualty & Surety Executives; Ray Murphy, general counsel of the same association; Louis H. Pink, president of Associated Hospital Service and former New York superintendent; and Frank J. O'Neill, retired president of Royal Indemnity.

Nicholls Chairman of N. Y. Assn.

R. H. Nicholls was elected chairman of the Casualty Managers Association of New York at the annual meeting. Other officers elected: Vice-chairman, A. B. Bladen, executive committee, E. J. Donegan, R. L. Green, J. E. Lewis, A. Schneider, R. W. Sweeney, W. J. Thompson, W. A. Edgar, J. F. Idler and R. V. Branion.

Yorkshire Indemnity was elected a member of the association.

Los Angeles Claim Men Elect

The Claims Managers Forum of Los Angeles has elected these officers: Chairman, B. T. Sheppard, Hartford Accident; vice-chairman, Eugene F. French, Fireman's Fund Indemnity; secretary, John Bigelow, Farmers Automobile.

The **Casualty Insurance Association of Washington** held its Christmas party in Seattle. Dec. 21.

The annual dinner and ball of the **Casualty Insurance Adjusters Association of Los Angeles** will be held Jan. 25.

The Casualty & Surety Field Club of Ohio held its annual pre-Christmas dinner dance at Wyandot Country Club, Columbus, with 50 members and their wives attending.

Impressed by Insurer's Work

(CONTINUED FROM PAGE 25)

explained by the witness. He described it as "a very progressive piece of legislation, and one that is required for the benefit of the handicapped. The absence of that provision works as a handicap to the employment of disabled people."

Mr. Bridges declared that "those states that do not have an adequate second injury provision should have it," only about 28 or 30 now having such a provision it was stated. The witness dwelt upon lack of uniformity as to coverage under various state compensation laws. He expressed the belief that by practicing the principle of placement worked out during the war, employment of disabled persons in future "will probably result in improvement in accident experience." The "hue and cry about accident proneness of the disabled" is "entirely unnecessary and unwarranted", in Mr. Bridges' opinion. On the other hand, such persons produce efficiently, engaged in less absenteeism, and their labor turn-over and safety records will be better, he said.

Mr. Bridges announced he had written a book to "fill a gap" by telling the lay manager what to do with particular types of disabilities with which he is confronted in hiring people.

Upon request Mr. Bridges supplied the committee with considerable written and printed material, including a list of states having second injury fund provisions and brief summary of some of them; a prospectus on the New York University safety education program; a declaration of attitude by the Association of Casualty & Surety Executives concerning employment of disabled persons, etc.

When Mr. Bridges completed his testimony, Rep. Patterson complimented him and Zurich. He expressed the hope that such work will become "universal," while the committee would see if Congress should legislate on the subject. Patterson described Bridges' testimony as having painted "a much brighter picture . . . revealing that so much is being done by insurance companies."

Abandon Idea of Broader Old Age, Survivors Cover

WASHINGTON—Changes in the social security law will be considered by the House committee on ways and means between New Year's and March or April, Chairman Doughton indicates. He said the committee will take up revenue revision in one of the spring months.

Doughton further indicated that broader coverage under old-age and survivors insurance has been abandoned at this time because of differences that have developed over the subject between government departments.

It is recognized in social security circles that there have been such differences over technical difficulties involved in extending OASI to other groups. For example, Treasury Department officials have pointed out practical complications likely to arise in dealing with coverage of agricultural workers, domestic servants and the self-employed.

There is reported to be a definite cleavage between Treasury and the social security board on this matter, which latter minimizes such difficulties. This cleavage is understood to exist with respect to the feasibility of including certain categories under OASI and as to the whole subject of benefits.

The Treasury is reported inclined towards a simple "social budget" plan under which the aged would be paid benefits as a matter of right, regardless of contributions, perhaps. SSB officials are reported opposed to what they regard as too drastic changes in the social security plan.

Reciprocal Subscriber Can't Duck Assessment

The Pennsylvania supreme court has upheld the right of the receiver of Keystone Indemnity Exchange to collect an assessment against a subscriber who sought to get out of it on the ground that he had never signed or filed a power of attorney authorizing an attorney-in-fact to bind him to an exchange of contracts among subscribers. The case was Neel vs. Crittenden.

The court said that between 1929-33 Crittenden bought 14 policies in Keystone and he can't be an insured in a reciprocal without also being an insurer. His voluntary conduct fully qualified him as a subscriber.

In another decision the court found that the Keyston Assessment was not barred by the statute of limitations. The case was Neel vs. Estate of Amelia Oliver et al.

Motor Carriers Hear Gerding

At the convention of the New Mexico Motor Carriers Association in Albuquerque, L. C. Gerding Jr., Denver manager of Commercial Standard spoke on "Motor Bus and Truck Insurance."

R. E. Rombold, accident prevention department and E. C. Jobe, claims department, also attended from the Denver office.

Hilgemann's Advice to Young Agents

One of the most valued and prominent local agents in the country is L. C. Hilgemann of the Leedom, O'Connor & Noyes Co. at Milwaukee. He is prominent not only in the Wisconsin Association of Insurance Agents but the National association. There is no one who gets on his feet to speak to whom any more attention is given than to Mr. Hilgemann. THE NATIONAL UNDERWRITER wrote him asking him if he had some advice to give, especially to young agents, those that are entering the business or who have not gotten much of a start. His reply is worth reading.

"As an old man of 55, who spent 30 years in the insurance business, about the only answer I can give is 'hard work,'" Mr. Hilgemann says. "I do not know whether the younger generation want to do this, because I fear that since 1933 and the new deal philosophy, that too many people believe that the government owes them a living.

"If I were a young fellow just starting in the business, I think I would try, if it were at all possible, to get a position with some insurance company, so as to learn the fundamentals from the company standpoint. If you understand what you are selling and how it is done, then you are a better salesman. I think most manufacturing concerns today believe that their best salesmen are those who have worked in their plant and know all the angles.

"If a young man is coming out of school, I think he should take up certain studies during his college years, which teach him the business when he is young, and can absorb them, so that later on when he goes out to sell his stuff, he will again know what it is all about.

First Few Years Hardest

"The hardest part of being an insurance man is the first three or five years, when an individual must be in a position to live on short rations or have some method of financing himself in a small way until he can build up his volume to a respectable income basis. During this time he must of necessity try and get acquainted with as many people as he can through social contacts, churches, fraternal societies, etc., because it is much easier to approach someone or an individual if you have at least met him before.

"I think that there are many agents of fair size throughout the country that are always looking for young fellows of this type, and would make a place for them if they have the right stuff in them. Certainly any individual who is alert could sit down and analyze the conditions of a particular locality where he is going to do business and see what the opportunities are.

"I think that every town or city has a peculiar pattern of business procedure. What is successful in one town may be unsuccessful in another. There are so many factors that govern.

Don't Follow the Parade

"At the beginning it is reasonable to believe that the larger mercantile and manufacturing industries of any particular locality are always the most competitive risks, and until you have worked up to a point where you have an organization and can give all types of service, an individual ought to give his attention to lines and customers which the other agents do not follow very closely. In other words, do not follow the parade, but go the other way. Anybody starting in business ought to specialize in some one class of insurance. Know that well, learn all the angles, and then exhaust its possibilities. After this has been done, it is time to take on another specialty line. To me any insurance agent going to call on a customer to talk about insurance in general is wasting his time. He ought to have something special to talk about, preferably a line which he thinks his prospect does not carry.

"Right now there is going to be quite a demand for automobile liability insurance in various states due to the new financial responsibility laws.

"I don't think anyone really exhausts his prospects at any time, because there are always new types of coverage, new concerns, and new individuals available."

Losses Nearly Double Insurance Carried

To emphasize the importance of increasing fire insurance to cover the sharp advance in values, Travelers Fire compiled data on 82 losses in which $287,075, the full value of the insurance, was paid while the total value of the property destroyed was $571,086. In one case the loss was $7,042.49; the amount of insurance which was paid in full, was only $2,000. In another the loss was $8,500—the amount of insurance only $3,100. In still another the insured lost property to the value of $11,199.85, but received only $6,000, the full amount of the insurance he owned. Other cases in which the insured had to dig deep into his own pocket were: loss, $14,798.77; insurance carried, $7,000; loss $11,577.54; insurance carried, $5,000; loss $31,690; insurance carried, $12,000; loss $5,000; insurance carried, $1,000; loss $1,131,60; insurance carried, $600.

"The sad part of the story of these 82 claims is that they represented losses to both the policyholders and the agents involved," Travelers Fire points out.

"These 82 clients lost over $250,000 in uninsured values. The agents who wrote these risks lost the additional commissions they might easily have earned by bringing the amounts of insurance into closer relationship with the values insured, and also the good will of some of these clients who resented having to pay thousands of dollars out of their own pockets when just a few dollars more in premiums would have covered the loss in full."

Mannon Resumes Old Post

Robert L. Mannon, who has been in the navy for three years, has returned to the head office of Fireman's Fund Indemnity to his former position as assistant chief underwriter. He served in the navy at first as liaison officer aboard French warships being repaired at the Philadelphia navy yard. Later he was transferred to the military government section and was about to go to Formosa as naval military government officer when the Pacific war ended. He has just ben discharged.

Unlicensed Company Warnings

LOUISVILLE — Hundreds of Kentuckians are victims of unlicensed out of state companies, which take their money, but refuse to pay claims, Insurance Director Wilson asserted in launching a drive against unauthorized companies operating in Kentucky. Such losses come from companies soliciting business by mail or radio, many specializing in health and accident insurance, he said. He urged people to determine if companies are licensed in Kentucky before taking out policies.

Two veteran employes in the Chicago office of Employers Liability are retiring. The are **Mrs. Winifred Egan,** compensation and liability underwriter who has been with Employers 42 years and **Harley Reed,** chief payroll auditor, with Employers since 1911.

Lt. Dean Mathews, head of the insurance department of the Berryman agency at Ashland, Kan, has received his discharge from the navy and returned to the agency.

INSURANCE NEWS BY SECTIONS

MIDDLE WESTERN STATES

Minnesota Mid-Year Set for April 4-5

MINNEAPOLIS—The Minnesota Association of Insurance Agents will hold its mid-year meeting in Minneapolis April 4-5, the executive committee decided at a conference here. The annual meeting will be held in Hibbing either in late August or early September. Hibbing is the home of President William Knudsen.

The executive committee also decided to send President Knudsen, R. A. Thompson, national director, George Thompson, chairman executive committee and George Blomgren, executive secretary, to the N.A.I.A. midyear meeting in Cincinnati and to send a delegation of five to the N.A.I.A. annual meeting in Denver next fall.

Richard A. Thompson of Minneapolis will continue as national director. Following his election as a member of the N.A.I.A. executive committee, Mr. Thompson tendered his resignation as national director, feeling that it was incompatible to hold both positions. However, both the state and national officers urged him to remain as director and he agreed to do so.

The state executive committee decided to continue its sponsorship of the high school safety forum which was launched this last fall.

The executive offices of the state association will be moved about Jan. 1 to larger quarters in the Builders exchange.

Three Servicemen Return to Inspection Bureau

Fire Underwriters Inspection Bureau has welcomed back to the Minneapolis office three men from the armed forces.

Lt. William W. White, with the AAF for nearly five years, will return to the bureau shortly after Jan. 1. Lt. White was a prisoner of war in Germany for about 17 months. He is the son of M. W. White, for many years Minnesota state agent of Glens Falls.

Robert R. Harris will take his former position as inspector with the bureau after three and one-half years' service in the army medical corps.

Walter V. Downey will also return after the first of the year after four years in the navy.

Kansas City Agents Name Stewart as President

KANSAS CITY—Robert L. Stewart, Jr., of R. B. Jones & Co., has been elected president of the Insurance Agents Association of Kansas City. He succeeds Cliff Johnston. Joseph H. Ashton is vice-president; Fred V. Griffith, treasurer, and John M. Nuchols, executive secretary.

Elected to the executive committee were Frank G. Altman and H. F. (Speed) Warner.

Mr. Stewart is the son of the late R. L. Stewart, who was widely known in fire and casualty circles for many years and served as president of the association in 1916-17.

The meeting attracted the largest attendance in years, due to proposed amendments to the by-laws. Action was taken amending Article 11, eliminating all remaining restrictions on brokerage commissions. Article 12, embodying the "non-intercourse" rule, was completely eliminated. Because of the present uncertainty as to the legality under the federal anti-trust laws of the "two-agency" and "in-and-out" rules a resolution was passed directing the officers and executive committeemen to take no action by way of enforcing compliance by members with these two rules. This will remain in effect until such time as the legality or illegality of these two rules is determined.

The Missouri association was invited to hold its annual meeting in Kansas City next fall.

The Kansas City Association, one of the financially strongest and best managed boards in the country, originally patterned a large part of its constitution and by-laws after those of the Kansas City Board of Trade and Kansas City Live Stock Exchange.

Veterans Return to Wood, Eureka-Security Agencies

CINCINNATI—Two navy veterans have returned to the Eureka-Security agency here and an army man to the Thomas E. Wood agency.

Storekeeper 1-C E. B. Nienaber has returned to underwriting duties with Eureka-Security after two years with the Seabees, mostly in the Admiralty Islands and Philippines. Yeoman Helen Janet Lambert returned last week after 2½ years in Washington with the WAVES.

Sgt. Charles Hibbler is back as casualty underwriter in the Wood office after serving in the European theater.

C. E. Umbright Moves to Chicago

C. E. Umbright & Co., independent adjusters, have moved from Bloomington, Ill., to Chicago and now occupy an office in the Insurance Exchange Building.

Mr. Umbright is a veteran of 30 years in the adjustment business. Before going into business for himself several years ago, he served as Oak Park manager for Western Adjustment.

Working with him is R. V. Munn, who has been resident adjuster at Galesburg, Ill., for Western Adjustment since 1944 when he was discharged from the army. Mr. Munn has five years' experience as an adjuster in Illinois.

Garlichs Joins Father's Agency

Richard W. Garlichs, son of Lorren W. Garlichs, St. Joseph, Mo., former member of the executive committee of the National Association of Insurance Agents, has returned from the south Pacific and will enter his father's agency. He has a B.S. degree from the business school of the University of Pennsylvania, specializing in insurance. He spent 30 months in the army medical department.

New Creditors Plan

LANSING, MICH.—Possibility that the 10-year-old liquidation of Lapeer Farmers Mutual Fire may soon be concluded was seen here following a meeting at Lapeer of some 40 creditors. Although only $34,166 of an estimated $90,000 due was collected under a voluntary assessment program this fall, it was decided to name a committee to present a new collection plan to all creditors.

Livingstone Adjustment New Office

The C. A. Livingstone Adjustment Service has opened a new branch claim office at Mount Vernon, Ill. With the Mount Vernon office, it now has six offices, covering central and southern Illinois.

Karcher Elected in Dearborn

DEARBORN, MICH.—George W. Karcher has been elected president of the Dearborn Association of Insurance Agents. Frank X. Schraden is vice-president, and Robert Lapham, secretary-treasurer.

Sons Join S. R. Henderson

Sherman R. Henderson, Columbus, O., local agent, who is also general agent of Continental Assurance, announces that his two sons, Verlin E. and Burnell, both discharged veterans, have joined him in the business.

S. W. Minnesota Group Elects

JACKSON, MINN.—The Southwestern Minnesota Agents Regional Association has elected R. M. Jones, Lakefield, president; L. H. Gaugert, Heron Lake, vice-president; M. L. Vanderbusch, Edgerton, secretary-treasurer.

South Bend-Mishawaka Election

The South Bend-Mishawaka (Ind.) Association of Insurance Agents has elected Clifford A. Pletcher, South Bend, president, to succeed Regis M. Richard (Mishawaka); F. L. Nelson, vice-president; Paul M. LaMar, secretary.

NEWS BRIEFS

The **Seldon & Johnson** agency of Detroit held its Christmas party Dec. 22.

The **Association of Insurance Women of Kansas City** held its Christmas party Dec. 19, with a dinner.

The **Insurance Women of Racine, Wis.,** held their annual Christmas party at the home of Mrs. Marvin Schoeppe. Dinner was served and gifts were exchanged in the home which was decorated in the Christmas motif.

The **Sioux Falls Association of Insurance Women** made its December meeting a Christmas affair. Myron Floren, accomplished accordianist, and who had spent several months overseas entertaining the soldiers, was a guest and was assisted by Mary Lou Cook of McKinney & Allen agency.

IN THE SOUTHERN STATES

Sawtelle Elected Head of San Antonio Exchange

SAN ANTONIO, TEX.—C. Oliver Sawtelle was elected president of the San Antonio Insurance Exchange. Newton W. Jackson is vice-president and F. F. Ludolph is secretary. New directors are: Fred W. Riley and Ocius Wolf.

A plaque was presented to Wm. L. Stiles, past president of the local organization and the Texas Association of Insurance Agents in honor of his 50th service anniversary.

Seek New Tenn. Manager

NASHVILLE—Joe H. Bandy, Stokes-Bandy, Nashville, past president of the Tennessee Association of Insurance Agents, has been appointed chairman of a special committee, named by President James A. Donoho, Hartsville, to consider applications and interview applicants for the position of association manager. Other members of the committee are Lee Hunt, Nashville; R. T. Cawthon, Franklin, and President Donoho. Chairmen of other committees are: Casualty conference, W. N. Hunt, C. M. Hunt & Co., Nashville; fire conference, James B. Irvine, Sloan, Irvine & Sloan, Chattanooga; public relations, Russell Brisco, J. E. Lutz & Co., Knoxville, and legislative, Mr. Bandy. The executive committee will meet in January.

Ribe Is Advanced

SAN ANTONIO—James B. Roark, president Texas General Agency Company, has announced the election of O. E. Ribe as executive vice-president. Mrs. Mary P. Roark will continue as vice-president; Arthur R. Creager will be secretary. Mrs. Exa L. Baker, in charge of personnel, loss, and note department, Ed L. Sconce of the Houston office, and Miss Opal Dowell, Houston, were named assistant secretaries.

Minor Heads Va. Governing Group

Claude D. Minor, president of Virginia Fire & Marine, has been elected chairman of the governing committee of the Virginia Rating Bureau to fill the vacancy created by the recent death of A. R. Phillips, president of Great American. William B. Miller, secretary of American and a former president of Va. F. & M., succeeds Mr. Minor as vice-chairman.

Ewell Joins Father's Agency

Capt. J. Davis Ewell, Jr., just released from service, has joined the Gibson, Moore & Sutton agency in Richmond, of which his father, J. Davis Ewell, a past president of the Virginia Association of Insurance Agents, is vice-president. Before entering service he was assistant manager of the insurance department of George H. Rucker & Co., Arlington, Va.

Fla. Agents to Meet in April

The convention of the Florida Association of Insurance Agents will be held at the Roney-Plaza Hotel, Miami Beach, in April. The exact date has not been selected. Vice-president Flaman B. Adae, Miami Beach, is chairman of the convention committee.

Greensboro Exchange Elects

GREENSBORO, N. C.—George W. Perrett has been elected president of the Greensboro Insurance Exchange. He succeeds William V. Simpson. Charles W. Lewis, Jr., is vice-president; Wilson S. Mitchell, secretary.

NEWS BRIEFS

Patterson Brothers, Taylor, Tex., were honored on their 25th anniversary in representing Queen and Star by George Henry, state agent Royal-Liverpool group.

Loss from fire which swept the portion of a business block at **Pennington Gap, Va.,** was estimated at $125,000, partly covered by insurance.

E. S. Bilheimer has rejoined the Fire Companies Adjustment Bureau in San Antonio, Tex., following army service.

The **Insurance Women of Austin, Tex.,** at their regular monthly dinner meeting recently had as speakers D. R. Bennett and A. W. Penn of the casualty division of the insurance department. The Christmas party was held Dec. 20.

Mrs. Verdery Greenwood, manager of Steel City agency, was elected president of the **Insurance Women of Birmingham** at their monthly meeting. Marguerite Prior is vice-president; Miss Mary Alice Thompson, treasurer; Miss Ruby Watkins, secretary. Those elected to serve on the executive board are Miss Jennie Alongi, Miss Ann Brooks, Mrs. Lucy Hughes, Miss Alice Merchant and Mrs. Grace White.

Tax Equalization Bill to Go Into Kentucky Hopper

LOUISVILLE—Included in the pre-legislative session of the governor's legislative commission, which prepares the advance legislative program, is a proposal for a 2% premium equalization tax on domestic insurers. This, it is estimated would yield $100,000 to $150,000 a year.

EASTERN STATES ACTIVITIES

General Opens Pittsburgh Unit

General of Seattle has established a branch office in the Law & Finance building, Pittsburgh, to operate in western Pennsylvania and West Virginia. It will report through the eastern departmental office in New York. At the same time General is withdrawing from the general agency of Cole, Inc., which has been its representative for the past 13 years.

The Pittsburgh manager is Harold Knox, who has been with Cole, Inc.

C. L. Garber will be a special agent. He was formerly secretary of Cole, Inc. L. L. Harper will be another special agent. He operated as a field man for the Cole general agency.

Another special agent is K. K. Snavely. He just recently was released from the coast guard. Prior to the war he was a special agent for Cole, Inc.

"Coffee" McCarthy's Transfer Blow to Hartford Firemen

HARTFORD—The transfer of James J. McCarthy from the Hartford claim department of the Employers group companies to New Hampshire represents a heavy loss to the firemen of this city, and a gain to those among whom he will be spending his time in the future. For Jim McCarthy is more than just another insurance man. In the four years of his stay in Hartford, he estimates that he has bought some 500 gallons of coffee and 400 dozen doughnuts to furnish strength to the men who fight Hartford's fires. Playing the fireman's friend has been his hobby for many years.

When Hartfordites see McCarthy buying coffee, they feel it safe to assume there's a fire somewhere in the neighborhood. McCarthy is a short, stocky fellow with a round face and a pleasant smile. The rest of him is usually obscured by a fireman's hat, a raincoat and rubber boots.

"Coffee" McCarthy made his presence known just a few hours after he arrived in the city in 1941. A serious fire had broken out, and firemen were trying desperately to check the blaze. Attracted to the scene, McCarthy found nobody was serving coffee to the firemen. Consequently, he went down the street until he found a small restaurant and ordered all the coffee they had, carrying it away in whatever container he could lay his hands on. Since that time, he has ministered to the fire-fighters so assiduously that he's been acclaimed "the firemen's friend" in every fire house in the city.

McCarthy started his service almost by accident back in 1918 while he was working for the Boston "American." So well received were his first gifts of coffee and doughnuts that he's been at it ever since. He has covered many cities in the past years, and carries a wallet full of fire cards from cities as far away as Ohio. When he left Boston, the firemen gave him a badge with his initials engraved on it. In Hartford he has been appointed an honorary member of the Patrolmen's and Firemen's Association, and has a fire department badge.

Luncheon Honors H. E. C. Rainey

WASHINGTON—The Washington Insurance Club is holding a luncheon Jan. 16 in honor of H. E. C. Rainey, who recently retired as manager of the D.C. Rating Bureau.

Cowman Talks on Bank-Agent Plan

The Insurance Accountants Association of Philadelphia at the December meeting had as a speaker Stanley Cowman of Mather & Co., who spoke on the bank and agency auto plan. Mr. Cowman is a recognized authority on this subject.

PACIFIC COAST AND MOUNTAIN

Half Million Loss in Long Beach Dock Fire

LOS ANGELES—Incomplete figures now available indicate that the damage to the docks at Long Beach from the recent fire probably will not exceed $500,000. Insurance on the city property is handled through the Long Beach Insurance Exchange. The city carried $4,235,000 extended coverage on its properties and $6 million straight explosion. Companies on the line are: National Fire, Hartford Fire, Great American, Continental, Fireman's Fund, Aetna Fire, North America, Home, Phoenix and St. Paul F. & M.

Treasurer Is Acquitted

SEATTLE—Russell H. Fluent, state treasurer, who has been resisting attempts of the state administrative board to compel him to purchase insurance and surety bonds through the state supervisor of purchasing, was acquitted by a Thurston county superior court jury of charges of malfeasance and misappropriation of public funds. He had been charged with conspiring to defraud the state in connection with payment to Verne A. Cole, Seattle local agent, last August of $1,107 commission on sale of $7,351,096 worth of state-owned government securities. The jury held that Mr. Fluent did not intend to defraud the state. Mr. Cole returned the commission to the state treasury when the transaction was questioned.

Following Fluent's exoneration, he announced he would vigorously press his previously-filed mandamus action against Cliff Yelle, state auditor, to compel him to pay a $554 premium for statutory fidelity bonds covering employes of the state treasurer's office. The mandamus suit will be heard when the state supreme court convenes at Olympia Jan. 10. The bond was placed with the Cole agency in the Hartford Accident.

Heavy Enrollment in Seattle

SEATTLE—Heavy enrollment for the N.A.I.A. educational course which will begin Jan. 15 is reported by the Seattle Blanket Club. Ralph Lewis, Thieme-Morris, chairman of the committee on arrangements, announced that Carl B. Birkenmeyer, assistant vice-president American-Associated companies, will speak Jan. 15 on private passenger car coverage; Lewis P. Kelley, National Automobile & Casualty, Jan. 29, on commercial vehicles, and on Feb. 5 the standard automobile policy will be explained by E. H. Alexander, Hartford Accident.

M. & M. Changes in Northwest

Joseph H. McCambridge, who has been with Marsh & McLennan in Seattle for 17 years, has been transferred to Portland to establish a new marine department of which he is manager. He was qualified recently as an average adjuster.

Gordon Rennie, recently discharged from the army, has joined Marsh & McLennan's marine department at Seattle. He started in insurance with North America at Seattle and was with Swett & Crawford before entering service.

Portland Agencies Merge

PORTLAND, ORE.—Merger of the Addison P. Knapp Co. of Portland, specialists in marine insurance, with the pioneer Portland agency of Jewett, Barton, Leavy & Kern has been announced, effective Jan. 2. Mr. Knapp and Emmett Rathbun, a partner in the Knapp Co., become partners of Jewett, Barton, Leavy & Kern.

Mr. Knapp entered marine insurance in Portland in 1928 and four years later founded the company bearing his name. Mr. Rathbun, formerly engaged in river transportation operations in the Portland area, joined the company in 1936.

Portland Insurance Attorneys Join

James A. Powers and the law firm of Veazie & Veazie, Portland, Ore., have formed a partnership under the name of Veazie, Powers & Veazie. Mr. Powers has represented casualty insurers and other insurance interests there for a number of years. Veazie & Veazie are counsel for the Oregon Insurance Rating Bureau and a number of companies.

New Los Angeles Course

LOS ANGELES—The educational committee of the Insurance Association of Los Angeles has announced that an additional course on fire and allied lines will start Jan. 15.

Grain Elevator Destroyed

KALISPELL, MONT.—The Kalispell Mercantile Company's grain elevator and seed warehouse here burned with damage estimated between $90,000 and $100,000.

Smiley M. & M. Coast Fire Mgr.

Robert S. Smiley has resigned as assistant secretary and assistant Pacific Coast manager of Pacific National Fire to become manager of the fire department in the coast office of Marsh & McLennan.

Adjusters Tacoma Hosts

Tacoma adjusters entertained the Pierce County Association of Insurance Agents at a Christmas party at the home of J. R. Thomas, president of the agents' organization.

Four Buildings Burn

ROY, MONT.—Four business houses were destroyed and one was badly damaged by fire here with total damage estimated at $250,000.

NEWS BRIEFS

Capt. Talt M. Stealey, just discharged from the army transport service, has been appointed office manager and personnel officer of the San Francisco office of the California department. Before entering service he was an investigator in the Los Angeles office of the department.

John L. Briggs has become associated with his father, H. E. Briggs, Seattle local agent. After attending the University of Washington, young Briggs served his apprenticeship with the home office of Northwestern Mutual Fire. He has been in the army for four years.

Joseph Walsh, manager of the Everett branch of the Peoples National Bank of Washington, addressed the **Snohomish County Association of Insurance Agents** on the bank agent auto plan.

At the bosses night of the **Insurance Women of Los Angeles**, with more than 100 present, Nora Walker gave the toast to the bosses and P. J. Gauthier, assistant manager of the Employers group, made the response.

MOTOR

Garage Keeper's Insurer Must Pay for Car Wrecked by Employe on Joy Ride

A garage keeper's legal liability insurer—Hartford Fire—under a decision of the Ohio supreme court must pay for a car that was wrecked by an intoxicated garage employe who took it out for a joy ride over the protest of a sober attendant. Liberty Mutual was the owner of the car.

The court concluded that there was a "theft" of the auto within the coverage of the contract. Much weight was given to the recent case of Pennsylvania Indemnity Fire vs. Aldridge, 117F. (2d) 774,133 A.L.R., 914 where it was held that to recover for "theft" an intent permanently to deprive the owner of the property need not be established and that it is sufficient if the proof demonstrates an intentional appropriation "to a use inconsistent with the property rights of the person from whom it is taken."

Homer Toms Motor Car Co., Olympic Garage, Cincinnati was the assured.

One Bourne, an employe of the garage, admittedly full of beer, appeared at the garage with some recently acquired acquaintances. Over the protest of an attendant on duty he drove the Liberty Mutual car from the garage, stating he was going to drive his friends home and would return the car.

However, they went to a so-called night club in Covington, Ky., and after leaving there the car got smashed up in a collision.

Liberty Mutual recovered from Toms in a suit which Hartford declined to defend.

Hartford contended that to constitute "theft" an intent permanently to deprive the owner of his property must be shown; that no such intention was shown here and therefore the situation was not covered by the insurance; Hartford was not liable for the loss and was not obliged to defend the original suit against Toms.

Bert H. Long, Milton M. Bloom appeared for the garage while August A. Rendigs, Jr., E. E. Strasser, Myers & Snerly were Hartford Fire's counsel.

MARINE

Asks Underwriters' Aid Against Truck Cargo Hijackers

Truckers, shippers and underwriters must join to combat the rising crime wave involving truck cargoes, A. C. Bennett, supervisor of the inland marine department of the Fire Companies Adjustment Bureau, declares in an article in the December issue of "Babaco News."

Mr. Bennett cited several case histories to illustrate the increasing cleverness of criminals in hijacking. In one case, a $12,000 load was stolen by a "phoney" truck driver calling for the pickup; in another, an $8,000 load was hijacked when the driver was called into a plant to answer a ficticious phone call.

In the same issue, the following truck losses are listed since July 26, 1945:

Los Angeles, $12,000, liquor; New Haven, $1,135, gloves; New York City, $3,500, wearing apparel; $1,800, piece goods; $15,000, clothing; $5,000, knit goods; $3,000, dresses; $4,500, women's wear; $5,000, children's wear; $3,500, textiles; $9,000, rayon goods; $5,100, infant's wear; $2,500, cotton goods; $10,000, woolens; $3,100, quilted robes; $12,000, blouses; $2,300, coats; $3,000, wearing apparel; $1,300, women's coats; $1,200, piece goods; $6,000, liquor; $11,000, woolens and rayon; Detroit, $15,000, tires; Denver, $4,000, cigarettes; Philadelphia, $50,000, nylon yard; Chicago, $4,000, fur coats; Patterson, N. J., $75,000, rayon and cotton piece goods.

Betteridge Retires from Commercial Union Post

William Betteridge, marine underwriter of Commercial Union, has retired

from active service. He is succeeded by J. C. Ulreich.

Mr. Betteridge joined the marine department at New York in 1911 and in 1913 became manager of the Chicago office. In 1930 he returned to become underwriter at New York.

Mr. Ulreich's Career

Mr. Ulreich joined Commercial Union in 1929 and for a number of years was with the all risks and inland marine department before he became assistant marine underwriter associated with Mr. Betteridge.

McGee General Agent for Camden Fire

Wm. H. McGee & Co. has been appointed general agent for ocean marine by Camden Fire. The 60-year-old firm a short time ago became general agent for Royal Exchange.

Covering Surplus Ships

WASHINGTON—Maritime commission officials indicate that they plan to require marine insurance in the American market on surplus ships that may be sold under the disposal program now going through Congress, on a partial payment plan. A preferred mortgage to the government is contemplated.

The ship disposal bill has passed both houses, but in different forms. Some 4,750 ships costing an estimated $10 billion are involved.

CANADIAN

Saskatchewan to Raise Companies' License Fees

To raise an additional $75,000 to $100,000 in revenues, the Saskatchewan government on Jan. 1 will raise license fees for insurance companies but will not impose any license fee or tax whatsoever on the government-owned insurance office.

According to O. W. Valleau, provincial secretary, about 240 companies are affected by the increased fees. Agents' license fees will not be raised.

All Classes Are Hit

The initial license of a life company has been increased from $200 to $250.

Fire companies must pay a fee of $150 after the first of the year, an increase of $50. Other companies must pay a fee of $250, a $50 gain.

A low cost insurance plan for providing compulsory public liability insurance coverage for all motorists in Saskatchewan will be recommended for adoption by a special committee which has been studying the question, the provincial cabinet has been informed.

Miller to Toronto Post

Canadian Fire has transferred William J. Miller to Toronto from Winnipeg as fire underwriter. He has been examiner of Manitoba business.

Assail D. C. Rate Cut as "Arbitrary"

(CONTINUED FROM PAGE 3)

extended coverage experience by states, according to which loss ratio in 1944 was 55.2%, and D. C. loss experience was lower than that of any state.

He protested reduction of extended coverage rates when, he said, companies are asking for extended coverage rate increases in Texas and some other states.

Figures submitted by Kaplan showed 1938 experience losses on windstorm in the District were almost as great as premiums for the 5-year period under review, 1940-44.

Inquiring how the National Board figures were compiled, on what basis, and whether there is duplication of figures, Jordan remarked that he believed "holes can be found in them."

Giving National Board 1945 figures to support his contentions, Kaplan said he did not have detailed information on Jordan's questions.

Expenses apportioned to the D. C., Kaplan said, bear the same ratio to national figures as premium volume in D. C., which writes .5% of national business.

When Jordan asked whether political contributions are part of company educational expense, Kaplan replied the companies are barred by New York law from making such contributions. Harrison remarked that one of the companies whose name was attached to a postcard of the insurance Non-Partisan Committee for Dewey and Bricker was a Kaplan client.

Kaplan said that incidental expenses would have very little, if any, effect upon D. C. rates.

Testimony of John L. Baker

John L. Baker, Fire Association, said he had close contact with the Willkie campaign in that city. There was an insurance group in it, he said, "but solicitation of funds was only from individuals."

Under examination by Kaplan, Scott Harris testified mutuals transacted 9.7% of fire and extended coverage here in 1944, and reciprocals only 1.1%.

Nation-wide expenses, 1944, Harris said, included: legal, .07%; advertising, .32; miscellaneous, .29, totaling, .68%.

At the afternoon session Mr. Harris said 13 stock companies in Jordan's selected list for 1944 did slightly more than 1% of total stock business here.

Kaplan said the Eastern Underwriters Association has under jurisdiction questions concerning commission rates. He said Jordan deducted certain other expenses and found the commission rate 26.40% here. The ratio of expense to premiums written here is at least 48.3, he insisted.

Recognize Economic Trends

"We contend and urge that you had no power or right to substitute for actual experience what you think should be, might be or could be, against what actual facts and experience in the District are," said Kaplan. "If you could do that, you could say it should be at a still lower figure than you have. No rating law was ever intended to give such power to any superintendent. . . . Expense ratio here is not higher than that for other large cities. The companies don't want to pay high commissions, but have to recognize economic trends."

Kaplan cited New York decisions holding neither a rating organization nor the superintendent has power to regulate commissions and other expenses. He argued that on that basis and the D.C. rating law, it is Jordan's duty, in fixing rates, to accept average over-all expense ratio of companies operating here. "If you can fix expense rates at 42%," said Kaplan, "other commissioners can fix 35, or any other percentage."

"Is that the reason you object to this order?" asked Harrison.

"No; because this is wrong," Kaplan answered.

Harrison said he had attended a number of hearings at the capital on insurance legislation and noted the presence of insurance representatives. He inquired whether such insurance activities as concerned with federal regulatory legislation are included in reports of company expense, and how applied and allocated.

Kaplan indicated he did not have the information, but protested "there is no foundation for this order."

George I. Gross, of companies' counsel, made a number of technical and typographical corrections in the memorandum submitted by the companies opposing the order.

When Jordan asked whether Kaplan conceded that a rate can be reasonable if one element used in it is unreasonable, counsel suggested the question might be "specious." When rates are reduced, he declared, expenses remain the same and expense percentage goes up; thus the order would have that effect, "and you have a vicious circle."

"You show us the way to cut commissions in the District," Kaplan demanded.

When Jordan put his question in different form and added that "some companies have expenses out of all reason," Kaplan insisted that "you are bound to take the average."

Contending that the purpose of public regulation is to prevent unreasonable rates and charges, Harrison asked: "Was not the purpose of the law to substitute regulated determination of fair rates for those of the companies, heretofore unregulated?"

Arbitrary Whim

"But you are substituting an arbitrary whim of the superintendent concerning expenses for the experience of two centuries," Kaplan retorted.

"If you are right in your contention that the superintendent is given no power over expenses, that settles the question," Jordan admitted.

"The superintendent has substituted his judgment for the combined judgment of 250 companies," said Kaplan. "I think I have the right to ask the superintendent what it is you base your 43% expenses of premiums written."

"If that is the purpose of this hearing, I think we should adjourn," said Harrison. Jordan said the District had many questions to ask.

Mr. Barry declared that regulation of expenses is a "constitutional question." The superintendent was criticised by insurance representatives on the ground that case was being heard as though the parties were litigants, instead of the hearing being conducted with a view to get all the facts.

Mr. Best testified that mutuals operate on a lower expense ratio than stock, and gave reasons why. Much of his testimony concerned the question of unearned premium reserve. He dwelt upon the decline of interest rates over a period of years.

Mr. Best said his studies for 194- found that companies as a group were carrying sums equal to unearned premiums and losses in cash and government securities.

Jordan had included on the income side in his mathematical formula a premium reserve earnings factor.

Wichita Agents Christmas Party

The Wichita Association of Insurance Agents at its Christmas party entertained nearly 300 guests including public officials, educators and business men. President W. A. Corrigan of the Van Arsdale & Larkin agency, presided. Blue Goose members from Topeka and Wichita and members of the Wichita Association of Insurance Women took part. The Kansas association was represented by President R. L. Budge, St. John. Dr. Kenneth McFarland, superintendent of schools of Topeka, prominently mentioned as a G. O. P. candidate for governor of Kansas, talked on "Keeping the Peace," and there was a gift exchange.

BACK HOME and—*O. K.!*

North America's Veterans are coming back to work! Gradually they are leaving the armed forces to occupy the desks they so willingly gave up to save a Nation in peril.

North America has never stopped moving forward. Now that our personnel is being augmented by returning veterans—the pace will be accelerated in the days to come.

As we welcome our associates back to work, we pause, also, to pay homage to twelve of them who will not return. The "Gold Stars" on our Service Flag—the heroes who gave their all so that we could keep so much!

1792 PROTECT WHAT YOU HAVE

INSURANCE COMPANY OF NORTH AMERICA COMPANIES, *Philadelphia*

INSURANCE COMPANY OF NORTH AMERICA
THE ALLIANCE INSURANCE COMPANY OF PHILADELPHIA
CENTRAL INSURANCE COMPANY OF BALTIMORE
INDEMNITY INSURANCE COMPANY OF NORTH AMERICA
NATIONAL SECURITY INSURANCE COMPANY
PHILADELPHIA FIRE AND MARINE INSURANCE COMPANY

KEEP AMERICA BUSY — GIVE A RETURNED VETERAN A JOB!